Prevas

ANNUAL REPORT 2006

INNOVATIVE IT BRINGS
COMPETITIVE ADVANTAGE

Contents

ENGLISH TRANSLATION OF PREVAS ANNUAL REPORT 2006

Prevas: In Summary

PREVAS OFFERS CONSULTING SERVICES, PRODUCTS AND SUPPORT TO COMPANIES DEVELOPING PRODUCTS WITH HIGH IT CONTENT OR WHICH NEED TO STREAMLINE OR AUTOMATE THEIR BUSINESS.

Prevas is an innovative IT company with a strong company culture that offers its customers solutions that will help them attain a world-class competitive edge. Prevas has been delivering profitable solutions for the future for more than 20 years. At Prevas, we believe that the prerequisites for creating customer advantage are building long-term relationships with our customers and having in-depth knowledge of their business activities.

Successful products and processes require an early and innovative use of IT. We have had many successful assignments from world-class companies that chose Prevas based on our strong company culture, project methodology and delivery reliability.

Prevas also offers platforms, modules and products that meet our customers' high demands for cost-effective investments. We create competitive solutions for our customers by the way we develop, reuse and package our knowledge.

PREVAS BUSINESS AREAS

The foundation for Prevas is its two business areas: Product Development and Industrial Systems.

The Product Development business area

Product development is the process of taking a product concept through to a finished product. Successful products require short development time and the right quality. Prevas offers a variety of services to develop intelligent products that are profitable for our customers.

The Industrial Systems business area.

Industrial companies face extremely tough global competition in today's market. Survival depends on a structured work methodology with continuous improvements in both productivity and quality. Successful production requires efficiency, high quality, traceability and good logistics. Prevas offers operational expertise and IT solutions in automation, logistics and traceability.

BUSINESS LOCATIONS

Prevas has operations at seven different locations in Sweden and three in Denmark.

KEY INDICATORS

	2006	2005	2004	2003	2002
PREVAS GROUP					
Orders Received, MSEK	311.8	213.7	154.1	–*	–*
Net Sales, MSEK	278.4	198.3	173.0	176.7	184.9
After-Tax Profit, MSEK	18.7	10.0	13.2	–15.3	–9.0
Profit Margin, %	6.4	5.7	9.4	–11.0	–6.0
Profit Per Share before Dilution, SEK	2.17	1.24	1.66	–1.97	–1.19
Profit Per Share after Dilution, SEK	2.15	1.23	1.65	–1.97	–1.19
Equity Ratio, %	61	61	59	49	58
Equity Per Share before Dilution, SEK	10.60	8.11	7.09	4.85	6.81
Equity Per Share after Dilution, SEK	10.49	8.01	7.01	5.46	7.31
Average Number of Employees	273	204	169	204	216
Invoice Rate (%)	72	71	65	62	58
Sales Per Employee, kSEK	1,020	982	1,024	866	856

* Figures available for orders received as of 2004.

IMPORTANT EVENTS IN 2006

Prevas strengthened its innovative force and growth through the acquisition of:

- Glaze – a design firm with offices in Malmö, Copenhagen and Ålborg specializing in embedded systems. During the year 2006, the company has had good profitability and growth. Sales doubled in the Danish portion of the business during 2006. Consolidated as part of the Prevas Group as of January 3, 2006.
- Avantel – a company providing expertise in the development of embedded systems for the Stockholm market. Avantel has shown good profitability since being acquired. Consolidated as part of the Prevas Group as of July 3, 2006.

The following were acquired to increase customer benefit and efficiency in Prevas' deliveries:

- ADRess – software that ensures traceability of data and telecom networks in properties. The software is used for the design, documentation and maintenance of property networks. Customers include real estate companies, industrial companies with large property holdings as well as consultants and contractors.
- Prevas Sierra and Prevas SocEye, finished building blocks for programmable electronics, including the fastest RTOS Kernel in the world.
- Prevas Improve, a unique follow-up system for increased production efficiency.

Prevas' business has strengthened as a result of the following:

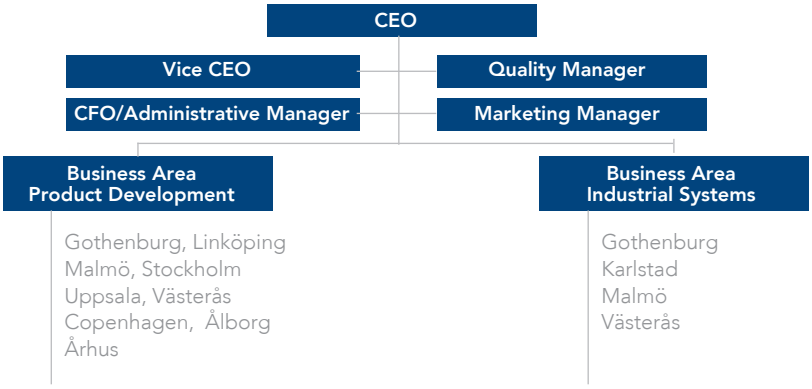
- general agreements with such companies as Atlas Copco Tools, Ericsson, GE Healthcare, Saab, Sandvik Coromant and Scania.
- large orders from such companies as ABB, AstraZeneca, Atlas Copco Tools, Cambrex, DIAB, Ericsson, GE Healthcare, Invitrogen Dynal, Phadia, Saab and Stoneridge Electronics.
- increased product development offerings including qualified services for verification and validation.

IMPORTANT EVENTS SUBSEQUENT TO YEAR END

Prevas made two important strategic acquisitions at the beginning of 2007.

- Teleca Life Science and Teleca Embedded Solutions. The former is a design house for medical devices and analytical instruments. The latter focuses on mobile and embedded systems. Operations are in Stockholm and Uppsala as well as internationally. Consolidated as part of the Prevas Group as of January 1, 2007.
- IO Technologies – a leading technology development company for customized software and electronics solutions. Operations are in Copenhagen and Århus, in Denmark. Consolidated as part of the Prevas Group as of February 1, 2007.

PREVAS ORGANISATION



Innovative IT brings competitive advantage

Innovation and renewal are essential to long-term, profitable growth. This applies to both our customers and ourselves. Many of today's successful products and processes are based on the early and innovative use of IT and this will continue to hold true in the future.

There is increasing pressure in the marketplace to achieve more efficient product development and industrial processes. In times of plenty, it is always difficult to obtain the right expertise. One solution is to locate the development process in low-cost countries. Another solution is to focus on improvements and technical innovations.

Prevas has chosen to do the latter – our innovative solutions give our customers a world-class competitive edge. This strategy has been successful, as seen in the number of contracts that we have won in the last year, despite fierce competition.

SUCCESSFUL GROWTH

In just over a year's time we have doubled our business. This was achieved through organic growth as well as a number of strategic acquisitions. We now have 440 employees (as compared to 220 at the end of 2005) working with innovative IT.

In 2006, new orders were 46% higher as compared to 2005 and sales increased by 40%. Our company achieved growth that was more than double the average (8-12%) of other firms in the IT industry during 2006. Simultaneously, our profit after tax went from 10.0 MSEK in 2005 to 18.7 MSEK in 2006.

Our success during the year can be attributed to such factors as having focused on our two main areas, Product Development and Industrial Systems, as well as the positive effects from our strategic acquisitions.

PROFITABLE ACQUISITIONS

We have acquired companies in both Sweden and Denmark within the areas of product development and embedded systems. We have widened our product offering and strengthened our innovative abilities by adding these companies that now call themselves Prevas:

- Glaze – a design firm with offices in Malmö, Copenhagen and Ålborg specializing in embedded systems.
- Avantel – a company providing expertise in the development of embedded systems for the Stockholm market.

- Teleca Life Science and Teleca Embedded Solutions. The former is a design house for medical devices and analytical instruments. The latter focuses on mobile and embedded systems. Operations are in Stockholm and Uppsala as well as internationally.

- IO Technologies – a leading technology development company for customized software and electronics solutions, located in Copenhagen and Århus, in Denmark.

OUR COMPANY CULTURE ENABLES US TO MEET CUSTOMER EXPECTATIONS

With such strong growth, it becomes even more important to focus on our company culture. In typical Prevas fashion, we start at the core by systematically and innovatively working to enhance the expertise and creativity of our employees. We know that this most important aspect of our company culture is what enables us to provide customer advantage and ensure our future success. Attracting young new talent is certainly one very important criteria. Prevas United is the name we have chosen for our company culture. Our focus on developing expertise is the responsibility of the Prevas Academy. Our program to recruit new talent is appropriately called the Prevas Future Stars.

Consolidation of the IT market continues and Prevas actively seeks strategic acquisitions that complement and enhance the company. We aim to establish ourselves in at least one new country during 2007.

With new acquisitions and enhanced expertise we can satisfy the ever-present need for renewal - and our continued success.

DEVELOPMENT WITH A GUARANTEE

One of Prevas' strongest competitive advantages is our ability to deliver IT solutions at previously agreed upon terms. These terms might be regarding the functional requirements, financial requirements, or both. And, we are able to provide this in a world where everything changes quite rapidly.

During 2006, Prevas delivered 91% of its projects on time, with just 2% of all projects requiring warranty service upon completion. As far as customer satisfaction goes, our customers rate us at 8.7 on a scale of 1 to 10. This means that they are indeed very satisfied. We deliver on time with the right level of quality. Our strong company culture together with our project methodology, quality assurance and delivery reliability have won us many successful assignments from world-class companies.

IN JUST OVER A YEAR, WE HAVE MANAGED TO DOUBLE OUR BUSINESS

The IT market in the Nordic region is expected to grow 5-6% during 2007 and 2008. One consequence will be that our customers will face a shortage of competence. Accordingly, the demand for Prevas' products and services will continue to be strong. Our offerings within the areas of Product Development and Industrial Systems will help enable our customers to meet the coming challenges and accordingly, gain competitive advantages.

ANDERS ENGLUND, CEO PREVAS AB

Nordic Focus with the Entire World as its Market

OUR CONCENTRATION ON INTERNATIONAL MARKETS FOLLOWS THE PREVAS MODEL FOR ACHIEVING SUCCESSFUL PROJECTS - FOCUS, QUALITY ASSURANCE AND PROFITABILITY.

Our companies in both Sweden and Denmark provide the foundation. The next step is to establish ourselves in other Nordic countries, thereby becoming a Nordic design center with the entire world as its market.

Prevas' customers exist throughout the world. Prevas has several new international customers mainly in Europe, but also in countries like China and Japan, that have come about largely as a result of the latest strategic acquisitions. Our goal is to establish new offices and design centers in other Nordic countries. Prevas uses its own salesforce in cooperation with local partners to solicit new customers outside the Nordic region.

Our goal for the Product Development business area is to become *The* Nordic Design House. Today, product development typically relies upon design as its starting point before loading the product with various technologies. This applies not only to companies that develop consumer products, but to traditional industries as well. Prevas is a Nordic leader in embedded systems - i.e., intelligence in the form of product hardware and software. Combine this with the great reputation of Nordic industrial design and Prevas is ready to take on an ever-increasing amount of product development for both small and medium-sized companies. Our offerings have proven to be attractive to customers throughout the world and we expect to continue to increase our number of customers outside the Nordic region. However, the actual development work will be conducted at Prevas' various design centers in the Nordic region. In the initial phase, focus is on the life science, telecommunications and automotive industries.

Our international operations within the Industrial Systems business area have previously resulted from the global expansion of our Swedish customers. Lately, though, the focus on finished products has caused this situation to change. We are now getting many new customers who maintain headquarters outside of Sweden with global operations or activities in specific markets. Our strategy for the future is to offer all of the products and services from our defined business areas to our Nordic customers via our own offices in that region. In other countries, we aim at using partners to offer finished products within the area of traceability.

Vision, Business Concept, Strategy

VISION

We shall become renowned for providing "Future solutions for profitable business."

BUSINESS CONCEPT

Prevas fulfills the demand for innovative and quality assured IT services, solutions and products that give our customers a world-class competitive edge.

STRATEGY AND POSITIONERING

In order to achieve our vision and goals, we have chosen to pursue the following strategies:

Market

- Prevas shall be perceived as a leader within our business areas.
- We shall define our target customer groups and specify those companies that can achieve customer advantage through the products and services that we offer.
- Sales shall be conducted through direct contact with customers in order to achieve good, long-term relationships.
- Our sales activities shall be supported by thorough marketing and PR activities.
- Increased internationalization via our customers, collaborative partners and our own direct sales.

Financial

- Prevas shall have sustained profitability with a minimum operating margin of 10 %.
- Prevas shall achieve organic growth that is complemented by strategic acquisitions. Annual growth shall be at least 15 %.

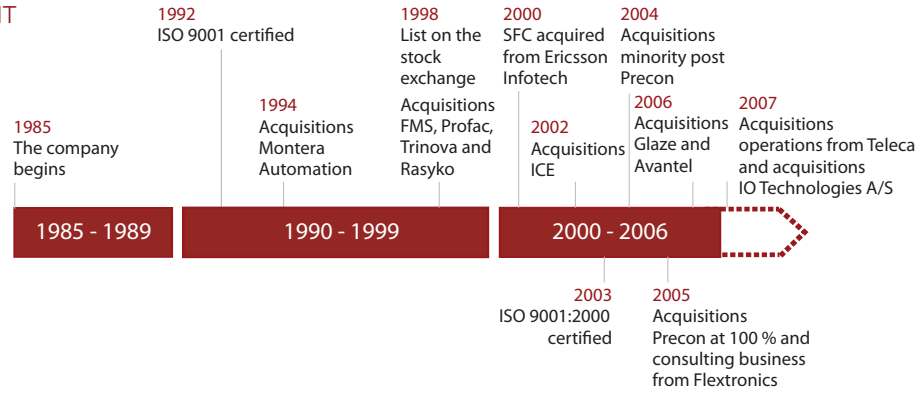
Employee

- Prevas shall be an attractive employer where employees follow a personal skill development plan and are given challenging tasks that enable them to continually develop new expertise.
- The company culture at Prevas shall be characterized by our businesslike manner, open-mindedness and team spirit.
- Leadership at Prevas shall be characterized by openness, dialogue, participation and straight-forward communication.

Process

- Prevas shall create increased customer advantage by utilizing turnkey platforms and finished modules rather than developing everything from scratch. This means that we can offer our customers a quicker development process with higher quality.
- Our world-class project implementation process is documented by fixed quality standards. Our competitive strength makes Prevas a safe choice for customers.
- Investment value is ensured through our effective integration of acquired companies.

PREVAS DEVELOPMENT



Nordic Leader for Embedded Systems

MORE AND MORE COMMUNICATIONS AND INTELLIGENCE FEATURES ARE BEING INTEGRATED INTO TODAY'S PRODUCTS. EMBEDDED SYSTEMS ARE FOUND IN CONSUMER PRODUCTS AS WELL AS ADVANCED MEDICAL TECHNICAL PRODUCTS. PREVAS HAS DEVELOPED MORE THAN 2,000 SUCCESSFUL PRODUCTS THAT HAVE HELPED MANY OF OUR CUSTOMERS TO BECOME GLOBAL LEADERS IN THEIR RESPECTIVE AREAS. THIS MAKES US THE LEADING PROVIDER OF EMBEDDED SYSTEMS.

Many Nordic companies have a global advantage when it comes to industrial design, complex embedded systems and data communication. Increased design expertise along with powerful new tools enables shorter development time, higher quality and a better ability to compete. In such an environment, it is difficult for each individual company to maintain its own comprehensive development department.

Therefore, Prevas has positioned itself as both a partner and expert in embedded systems. We contribute to the global success of our customers by providing the leading-edge expertise and experience required to stay a step ahead of the competition.

In the last year, Prevas has strengthened its position in Denmark and southern Sweden through the acquisitions of both Glaze and IO Technologies. During 2006, we also established product development services in Gothenburg, where we have seen strong growth and positive development. The acquisitions of Avantel, Teleca Life Science and Teleca Embedded Solutions has given us a stronger position in both Stockholm and Uppsala.

We can continue to expect very strong demand in the market for developing intelligent products and complex embedded systems. Sales during 2006 increased by 65 % and operating margin has also greatly improved compared to the same period last year.

OUR UNIQUE ABILITY TO DELIVER ENSURES SUCCESSFUL DEVELOPMENT PROJECTS

In order for products to be successful, development times must be kept short and the quality must be right. Prevas offers a variety of services to develop intelligent products that are profitable for our customers.

Complex development projects are our specialty. Our ability to combine IT expertise, development methods and platforms makes us unbeatable. We have developed a service, Prevas SmartShoring, that enables our customers to get the most out of low-cost services acquired from places like India and the Baltic countries. Our project implementation process help us to guarantee the success of projects that rely upon expertise from low-cost countries.

METHODS THAT ENSURE PROFITABILITY

Our development model, Prevas Agile Development, is built on the very latest findings in development methodology. It gives Prevas' customers a quality assured and predictable development process despite our rapidly changing world. Prevas gladly assumes overall responsi-

PERCENTAGE OF SALES 2006

34 % Industrial Systems Business Area

66 % Product Development Business Area

SOME OF PREVAS' CUSTOMERS

ABB, Assa Abloy, Atlas Copco, Autoliv, Flextronics, Flir Systems, Gambro, GE Healthcare, GN Netcom A/S, Gunnebo, Husqvarna, Interspiro, Leine & Linde, Micronic, Novo Nordisk A/S, Oticon A/S, Panasonic, Saab, Stoneridge Electronics, TAC, Texas Instruments Denmark, Vestas A/S, Volvo

bility for the customer's product development process. This includes everything from the processes, quality systems and project leadership through the implementation and testing phase of the finished product. In summary, our focus is simply on ensuring profitable products for our customers. Panasonic Electric Works Fire & Security Technology is one customer who has successfully used our services and methods to develop a product within the area of fire safety systems for the Chinese market.

TURNKEY PLATFORMS SHORTEN DEVELOPMENT TIME

Developments within the area of microelectronics, the foundation for today's embedded systems, are occurring at amazing pace. It is now possible to place entire systems on a single programmable electronic circuit. Rather than starting from the beginning with each new development project, we rely on semi-finished products in the form of recognized, high-quality platforms. The effect is lower costs and shorter development cycles.

Cale Access is one customer that chose Prevas based on our recognized platform offerings to develop their next generation of parking terminals.

DEVELOPMENT DEPARTMENT WITH CUTTING EDGE EXPERTISE

Increasingly, Prevas is able to strengthen the capabilities of our customers' development departments. With our large customer base, we are able to shoulder the cost of new development tools and ensure expertise that is at the cutting-edge of technology. Last year, one of our largest customers was GE Healthcare. In cooperation with GEMS PET Systems, we will be developing the next generation of control systems for radio frequency systems in particle accelerators. These are primarily used to effectively diagnosis different kinds of cancer.

WIDE SPECTRUM OF SPECIALISTS

Because we exist over a wide geographic area, we are able to offer specialist expertise from many different regions and areas of technology. Areas such as data communication, EMI prevention mechanisms for electronic products, software development and project leadership are all in high demand. SwitchCore is one of Prevas' customers located in southern Sweden. They use our expertise within the area of software development to simulate next generation integrated circuits for data communication.

THE HUB OF DEVELOPMENT FOR MODERN AND ADVANCED PRODUCTS

Prevas has strengthened its position as Nordic leader for embedded systems through the acquisitions described earlier together with having established product development services in Gothenburg. As a result, Prevas is now firmly established to offer product development services in Sweden's six largest cities along with Copenhagen and Århus in Denmark. These markets provide the foundation for the firm's continued expansion.

Prevas will continue to increase its presence internationally and aims at winning larger development projects that can be brought back to our Nordic design center for completion.

PRIORITIZED PARTNER FOR MICROSOFT®

Once again, Prevas has achieved "Gold-Level Member" status in 2007 as a prioritized partner for the Microsoft embedded operating system, Windows Embedded. Prevas first received this title in 2004, and has since maintained its status as the only Windows Embedded Partner in Scandinavia for the Microsoft operating system, Windows Embedded™. The marked for the operating systems Windows Embedded CE and Windows XP Embedded has increased each year, which is also noticeable at Prevas.

Prevas employs Scandinavia's leading specialists in Windows Embedded and is certified to give courses for Microsoft. Together with the recent acquisitions that Prevas has made, our expertise in Windows Embedded has gotten even stronger and Prevas is well positioned to meet the expected increased demand in this area.

The Industry's Choice for Profitable IT

EFFICIENCY AND IMPROVED PROFITABILITY IS THE MANTRA AT MANY INDUSTRIAL COMPANIES. HUGE INVESTMENTS ARE BEING MADE IN AUTOMATION AND IT SYSTEMS. WITH MORE THAN 20 YEARS OF EXPERIENCE, PREVAS IS JUSTIFIED IN ITS CLAIM AS BEING THE NATURAL CHOICE FOR COMPANIES WHO NEED HELP IN FINDING THEIR HIDDEN POTENTIAL AND WHO WANT TO INVEST IN BOTH PRODUCTION AND PROCESSES.

Industrial firms compete in a global market where the competition is fierce. A good product and strong trademark are simply not enough. Customers expect continuous improvements and competitive prices. Profitability must be prioritized in order to be able to invest in the development of next generation products.

In the Western World, such demands are almost exclusively met through investments in automation, logistics and traceability. Accordingly, there continues to be a rising demand for intelligent information technology. Prevas offers business development, turnkey systems and specialist services in automation, logistics and traceability. The innovative use of IT, thorough branch and technology expertise and the reuse of components and products, enables Prevas to deliver cost-effective solutions to the customer.

We have noticed an increased demand for the services that Prevas provides. New orders for the Industrial Systems business area increased by 27 percent in 2006, as compared to 2005.

We expect to see double-digit growth in the future, as well. One important part of our growth strategy is to spread out geographically. Our ambition is to be able to service the entire Nordic market with our expertise in industrial systems.

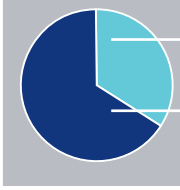
SPECIALIZED CONSULTING INCREASES CUSTOMER PROFITABILITY

Prevas helps its customers to identify, analyze and plan profitable IT investments. Our combined knowledge of both operations and systems ensures that we are able to provide the right advice. It is often easier for an outsider to see what needs to be done. This is one good reason for bringing in a Prevas business development specialist. Certainly, another very good reason is that Prevas' business development consultants are often able to save the customer a lot of money. Prevas is also offers support during procurement as well as for project leadership and follow-up. One of our new customers in this area is NCC. We provide both project support and support for the procurement process at their new production facility in Hallstahammar.

COMPLETE SYSTEM DELIVERIES

The best way to get new assignments is through satisfied customers. Prevas builds systems that are customized to meet individual customer requirements. But, we also rely on our own standard components or those of our market-leading partners. Prevas' system developers are very experienced. Such expertise provides guaran-

PERCENTAGE OF SALES 2006



34 % Industrial Systems Business Area

66 % Product Development Business Area

SOME OF PREVAS' CUSTOMERS

ABB, Arvin Meritor, AstraZeneca, Cambrex, Diab, DN/EX, Duni, Ericsson, Familjen Dafgård, Findus, GE Healthcare, GETRAG All Wheel Drive, Haldex, ICA, Kanthal, NCC, Phadia, Sandvik, Scania, SSAB, Stacke Hydraulik, Sydsvenskan Tryck, Volvo, Westinghouse Atom/Toshiba

teed value and efficient delivery. Cambrex in Karlskoga is a very good example. During the last year, Prevas delivered a fully-validated labeling system to this customer.

EXPERTISE THAT BUILDS CONFIDENCE

Our expertise within the areas of project leadership, system development and automation provides our customers with important reinforcement to their projects. Prevas is good at developing systems. Prevas' consultants are pros when it comes to all of the most common types of system environments that currently exist within industry. For example, they offer top expertise when it comes to both testing and validation. ABB is one customer who benefited from such services during the year. Prevas provided expertise relevant to their automation systems that are used in the Norwegian oil and gas industries.

METHODS THAT ENSURE BOTH PRICE AND QUALITY

Prevas' project methodology guarantees delivery reliability, quality and value to our customers. Successful project management is all about creating win-win situations for the customer and Prevas. We meet customer needs and guarantee the cost at the outset. SSAB Oxelösund is a great example. During the year, Prevas installed a logistics system that was on time, with the right level of quality and at the previously agreed upon price.

Prevas has been delivering profitable IT investments to its customers for more than 20 years. Being the natural choice has to do with our combined knowledge of the business and technology. But it also has a lot to do with our basic philosophy on quality when it comes to deliveries.

NEW BUSINESS GAINED THROUGH COOPERATION

The demand for new solutions using standard products continues to increase. Accordingly, Prevas has worked in closer cooperation with some of our partner firms, such as Wonderware, a world-leader when in comes to software for industrial IT applications. Prevas is now one of their certified partners. Together, we will deliver a production system to our customer DIAB, a global leader in manufacturing plastics that are used in the wind power, aviation, transportation and aerospace industries.

PRODUCTS SUCCESSFUL INTERNATIONALLY

Prevas' traceability products have met with great success internationally during 2006. Prevas has done business with a number of international manufacturers of medical devices and pharmaceutical companies. Examples are Invitrogen Dynal in Oslo, and the Cambrex Corporation, with facilities in the US and several European countries. Prevas traceability solutions enable customers to meet the strict quality requirements from regulatory authorities and consumers. Furthermore, profits improve with new efficiencies such as minimizing the number of errors and reducing scrap costs.

DEVELOPMENT WITH NEW PRODUCTS

Prevas is always on the lookout for new product concepts that we can either develop or acquire. These are usually unique solutions to specific problems affecting several companies within a certain industry. One example is the production efficiency and monitoring systems that we acquired during 2006 from a company called B4Industry.

EXPERTISE FOR THE FUTURE

In order to meet customer demand, we must continually update our expertise in the areas of business and system development. Our consultants are often highly praised as the most knowledge in the industry. We participate in several research projects aimed at developing industries and processes. For example, we are the only private IT company in Sweden participating in the EU funded integrated project, BIOtracer, a consortium of over 40 researchers, research institutes, suppliers and others. The goal of the project is improved biotraceability of unintended micro-organisms and their substances in food and feed chains.

Support Services Provide Our Customers with a Sense of Security

MORE THAN 150 CUSTOMERS CURRENTLY USE PREVAS SUPPORT FUNCTIONS. WE OFFER EVERYTHING FROM HELP-DESK TO SYSTEMS OPERATIONS AND MAINTENANCE. PREVAS CONTINUES TO DEVELOP NEW SUPPORT SERVICES THAT WILL ASSIST OUR CUSTOMERS EVEN MORE.

Prevas offers product and system support throughout the product life-cycle, thus helping to secure the investments made by our customers.

TESTING AT ERICSSON NOW MORE EFFICIENT

Ericsson provides a good example of how Prevas offers both cooperation and comprehensive support. A few years ago, Prevas developed a product called Snitcher Asset Management. This is a traceability system for electronic components and systems in geographically disperse locations. Ericsson Test Environments, a business unit within the Ericsson Group, purchased this software. Today, it is used globally at around 120 different locations. By being able to keep better track of testing equipment located all over the world, equipment utilization increased and new investments in expensive new testing equipment were avoided. Ericsson can now more easily and quickly make upgrades and program exchanges.

Snitcher Asset Management uses Pocket PC:s for bar code identification of assets. All information collected is kept on a central database server. Prevas provides comprehensive support for the entire system. This includes daily oversight of the database and servers, helpdesk support, product administration and on-site implementation. Prevas also provides expert support by helping to analyze Ericsson's operations and making suggestions for improvement. Together, we take the solution to new heights and help to ensure the success of the customer's investment.

SATISFIED CUSTOMERS

Prevas always strives to provide our customers with the best possible support. We gain full understanding of the problem and solve all issues within the expect timeframe. As a result, our customers have a lot of faith in us.

SOME OF PREVAS' CUSTOMERS

AstraZeneca, Cambrex, DN/EX, Domstein-Enghav, Ericsson, Elcoteq, Flextronics, Getrag All Wheel Drive, Gunnar Dafgård, ICA, Invitrogen, Sanmina-SCI, Scania, Solectron, Phadia, Proctor&Gamble, Unilever Volvo, Westinghouse Atom/Toshiba, Whirlpool

A Hot Market Brings Good Growth

WE ARE IN THE MIDST OF AN ECONOMIC BOOM. WE SEE THIS BOTH IN THE CUSTOMERS IN OUR INDUSTRY AND IN OUR RECRUITMENT ACTIVITIES. PRICES HAVE STARTED TO RISE AND SHOULD CONTINUE RISING DURING THE NEXT FEW YEARS

Our two main business areas were at slightly different stages of growth. We witnessed the fastest growth in our Product Development business area during 2006. During 2007, we also expect to see increased growth in the Industrial Systems business area.

Customers have invested heavily in product development and that has resulted in an increased number of projects and assignments for Prevas. This has been a very clear trend during the entire year. We have seen this in several industries from our largest customers down to the smaller innovative companies.

Prevas has become one of the leading suppliers of embedded systems to the defense industry. We significantly strengthened our market position last year by signing a group agreement with Saab AB. Prevas was designated a 'preferred supplier' as part of the agreement.

The Life Sciences market continues to improve. For example, Prevas has obtained several large orders from GE Healthcare. With the expected favorable market conditions, Prevas should further strengthen its position during 2007. Recent acquisitions from Teleca made at the beginning of the year should help us to achieve this goal.

The Ericsson Group has long been an important customer in the Industrial Systems business area. Prevas adds value by providing them with production support. The acquisition from Teleca strengthens Prevas position in the telecommunications industry as we head into 2007.

Prevas has a strong hold within the vehicle and manufacturing industries through such customers as ABB's robot business, Atlas Copco Tools, Sandvik Coromant, and Scania. There has been strong demand in these markets, with the exception of companies dependent on the American automotive industry, where there has been a downturn in the business cycle. This situation has not, however, had any impact on Prevas' business.

CUSTOMERS

The majority or our customers are geographically located in Sweden and Denmark. Projects are also carried out in other countries, since many of our customers also have international operations. Here are some examples:

USA – electronics for survival & rescue equipment
China – process and traceability systems
Korea – Bluetooth equipment
Germany - cell guidance systems used in production
France – medical technology products
Switzerland - nuclear industrial applications
Finland - telecommunications
Norway - medical technology products

Prevas expects to experience increased internationalization during 2007. For example, in the Product Development area, we have received an international customer base in conjunction with the acquisition of two business units from Teleca. In the Industrial Systems area, the market has broadened and we are cooperating more and more with our partners in countries like Norway, Germany and China.

COMPETITORS

Prevas' main business areas, Product Development and Industrial Systems are both markets that are made up of many small participants. The largest competing firms in these areas are relatively small. This implies that there are opportunities for restructuring in these markets. Prevas has chosen a strategy of acquisition and organic growth.

Combitech, DataRespons, ENEA and HiQ are some of our competitors within the Product Development business area. Some of our main competitors in the Industrial Systems business area are Novotek, Semcon and ÅF-Benima.

INDUSTRIAL SECTORS

The Product Development Business Area:
Vehicle, Defense, Life Science, Telecommunications, Engineering

The Industrial Systems Business Area:
Vehicle, Life Science, Food, Telecommunications, Engineering

5 LARGEST CUSTOMERS IN 2006

Saab	16 %
ABB	8 %
Atlas Copco Tools	8 %
Ericsson	6 %
Stoneridge Electronics	3 %

Prevas United - Our Company Culture

SOUNDS AS IF WE WERE A SOCCER TEAM. AND IN PART, THAT IS TRUE. PREVAS UNITED IS THE FORCE THAT UNITES THE COMPANY AND IT IS ONE OF THE KEY FACTORS TO UNDERSTANDING HOW WE WORK AS A TEAM.

We are more likely to come up with new ideas and solutions in a pleasant environment where laughter is encouraged. This means that we can offer our clients a team of colleagues that can take responsibility and achieve world-class results.

SHARED VALUES

During 2006, hundreds or our employees cooperated with Prevas' management to implement a new company culture that will help us to be as good at sales and marketing as we are at delivering successful projects. One part of this project involved arriving at a set of common goals on how to best conduct our work in a businesslike manner and always put the customer at the center.

Common to all of Prevas' employees is a strong interest in technology, deriving satisfaction from our work and the ability to create customer advantage. It is important that everyone feels comfortable and at ease. The four basic characteristics that we feel best describe the company culture at Prevas are: business-driven, open mindedness, accountability and team spirit. From a customer perspective, this implies the following:

Business-Driven

Familiarity with the client's business involves taking an active part and being open to new ideas and opportunities. By doing so, Prevas is able to create cost effective, competitive solutions for our customers.

Open-Mindedness

With innovative solutions, Prevas is able to develop its own business and strengthen its ability to compete. Each day, we are driven by our curiosity to explore new technology and solutions. Our customers should always find us receptive to their ideas and easy to work with.

Accountability

Prevas' project implementation process is world-class. Each employee takes full responsibility for their part of the project and is always able to come up with new suggestions that can bring about customer advantage.

Team Spirit

Prevas' employees are proud to belong to a team and work towards a common goal. Within our team, we are generous when it comes to giving praise and we know

how to give constructive feedback. We share our knowledge and experiences in order to achieve our goals.

FROM 220 TO 440 EMPLOYEES

We take on new employees at Prevas nearly every week. At the end of 2005, there were approximately 220 employees at Prevas, as compared to around 440 by the beginning of 2007. It is more important than ever that Prevas is able to convey its company culture to each new employee. A welcome package is sent out to each individual shortly after having signed their employment contract. Their place in the company is clear right from the very first day when we start off with an introduction program. As a new employee at Prevas, you are meant to feel welcome.

DEVELOPING EXPERTISE

Individual plans to continually develop new skills are a prerequisite for being able to meet customer expectations and come up with profitable solutions for the future.

Our employees develop these skills through being involved in projects across several industries that are conducted both at Prevas as well as at customer locations. Internal training courses are regularly set up as the need arises. Such courses might be initiated by management, by an employee based on their need to develop new skills, or in order to help solve a specific customer issue.

PREVAS ACADEMY

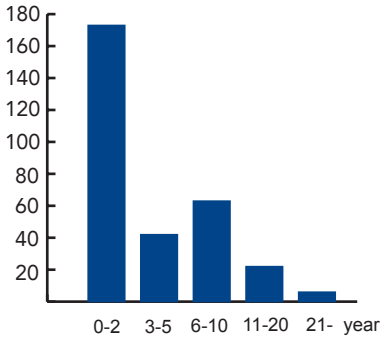
We set up Prevas Academy in order to gather all of our in-service training under one roof and help ensure that each employee has the most up-to-date knowledge and expertise required to succeed in their work. At the Prevas Academy, we use the Prevas' business plans to come up with comprehensive plans for skill development at the company. Prevas Academy is responsible for planning and implementing all of our skill development programs.

Prevas Academy coordinates and follows up on skill development initiatives that are conducted regionally as well as at the individual company level.

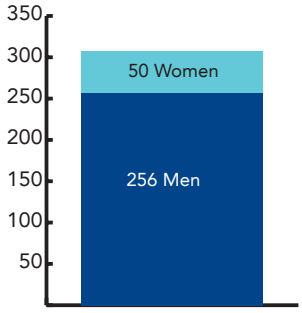
PREVAS FUTURE STARS

The best newly-graduated engineering students who join Prevas may be chosen to take part in a skill-development program that we call Future Stars. Our Future Star employees receive individually tailored skill development plans enabling them to work on concrete projects in one of the Prevas' offices as well as on site with some of our customers. Each Future Star employee is assigned to an experienced Prevas consultant who serves as their mentor.

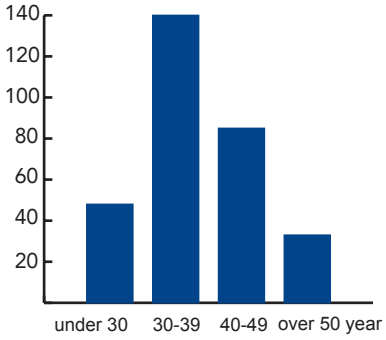
YEARS EMPLOYED
AS OF 31 DEC 2006



TOTAL EMPLOYEES
AS OF 31 DEC 2006



AGE DISTRIBUTION
AS OF 31 DEC 2006



Prevas' Stock Information

CAPITAL STOCK

Registered capital as of December 31, 2006 amounted to SEK 21,796,875 made up of 8,718,750 shares, of which 820,160 shares were Class A stocks and 7,898,590 shares were Class B stocks.

Each share holds an equal right to the company assets and profit. Each Class A share entitles the holder to ten votes at the Annual General Meeting, whereas each Class B share entitles the holder to one vote at the Annual General Meeting.

At the Annual General Meeting on April 6, 2006, Prevas' Board of Directors was once again given the authority to issue new shares with the exception of existing stockholders' preferential rights. The authorization was for a maximum of 750,000 Class B shares to be used in connection with new acquisitions or with the purpose of adding one or more new owners of strategic importance. During the period of 2006 through the first quarter of 2007, the Board has exercised its authority to issue new shares in conjunction with three new acquisitions. In conjunction with the acquisition of Avantel AB in July of 2006, the Board authorized the emission of 100,000 new Class B shares. The Board also authorized the emission of 568,182 new Class B shares in conjunction with the acquisition of IO Technologies A/S in February, 2007. Finally, the Board authorized the emission of 30,000 new Class B shares in conjunction with the acquisition of RealFast Hardware Consulting AB in March, 2007.

EMPLOYEE STOCK OPTION PROGRAM

At the general meeting of stockholders on March 20, 2002 an employee stock option program totaling 500,000 options was approved. All of Prevas' employees were entitled to participate in the program.

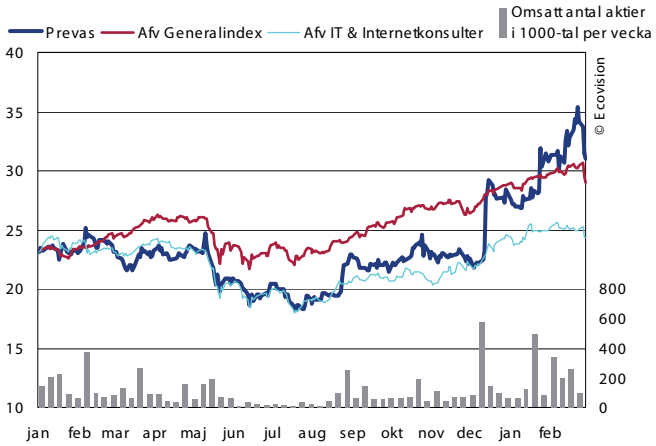
Each employee option entitles the holder to purchase one newly-emitted Prevas B-share during the period May 15, 2003 through May 31, 2009. The issue price is SEK 15 per share, which is based on the average price paid per share during the period March 6-19, 2002.

During 2006, a total of 35,940 new shares were issued as part of the employee option program.

The aim of the scheme is to create a sense involvement throughout the company in our earnings trend and thereby help us to retain our expertise.

DIVIDENDS

The Board proposes a dividend of SEK 1.00 per share for the fiscal year 2006. The Board had based its decision upon Prevas' dividend policy that states as its goal to distribute approximately half of the profits after tax to its stockholders as dividends. Such decision must also, however, be based on a review of the total amount for non-restricted equity and available cash assets.



Prevas' Stock Trend
1 January 2006 – 28 February 2007

Number of Shares and Votes, Class of	Number of	Number of	Holdings, %	Votes, %
Class A, Unrestricted	820,160	8,201,600	9.41	50.94
Class B, Unrestricted	7,898,590	7,898,590	90.59	49.06
Total	**8,718,750**	**16,100,190**	**100.00**	**100.00**

Stockholder structure	No. of Stock-holders	No. of Class A Stocks	No. of Class B Stocks	Holdings, %	Votes, %
STOCKHOLDINGS AS OF 12/31/06					
1 – 500	1,944	–	383,796	4.40	2.38
501 – 1,000	517	–	447,319	5.13	2.78
1,001 – 2,000	208	–	368,027	4.22	2.29
2,001 – 5,000	193	–	693,292	7.95	4.31
5,001 – 10,000	61	19,200	471,943	5.63	4.12
10,001 – 20,000	18	17,280	232,078	2.86	2.51
20,001 – 50,000	19	54,400	581,240	7.29	6.99
50,001 – 90,000	4	65,280	231,270	3.40	5.49
90,001 –	11	664,000	4,489,625	59.11	69.13
Total	**2,975**	**820,160**	**7,898,590**	**100.00**	**100.00**

Stockholders as of 12/31/06	No. of Class A Stocks	No. of Class B Stocks	Total No. of Stocks	Holdings, %	Votes, %
Göran Lundin with family	150,000	2,551,740	2,701,740	30.99	25.17
Länsförsäkringar Bergslagen	250,000	1,044,100	1,294,100	14.84	22.01
Per Lysholt	100,000	226,800	326,800	3.75	7.62
Björn Andersson	100,000	208,000	308,000	3.53	7.50
Stieg Westin	64,000	49,000	113,000	1.30	4.28
Mats Björkelund	65,280	24,000	89,280	1.02	4.20
Kerstin Danielsson	32,000	–	32,000	0.37	1.99
Anders Hallqvist	22,400	3,200	25,600	0.29	1.41
Skogby & Åberg AB	–	201,000	201,000	2.31	1.25
Lars Sjöström	10,880	–	10,880	0.12	0.68
Other Stockholders	25,600	3,590,750	3,616,350	41.48	23.89
Total	**820,160**	**7,898,590**	**8,718,750**	**100.00**	**100.00**

Market Related Information	2006	2005	2004	2003	2002
Stock Price at Year End, SEK	28.40	23.40	21.60	8.50	9.50
Average Number of Shares Traded Per Day	21,329	15,083	10,285	2,747	6,937

Stock Information	2006	2005	2004	2003	2002
KEY INDICATORS					
Profit Per Share before Dilution, SEK	2.17	1.24	1.66	–1.97	–1.19
Equity Per Share Before Dilution, SEK	10.60	8.11	7.09	4.85	6.81
Dividend Per Share, SEK	1.00 *	0.50	0.50	–	–

* Proposed dividend

Five Year Summary

FINANCIAL OVERVIEW

MSEK	2006	2005	2004	2003 *	2002 *
SUMMARY INCOME STATEMENTS					
Net Sales	278.4	198.3	173.0	176.7	184.9
Operating Expenses	–260.6	–189.5	–156.8	–196.3	–196.6
Operating Profit/Loss (EBIT)	**17.8**	**8.8**	**16.2**	**–19.6**	**–11.7**
Net Financial Items	–0.1	2.5	–	0.2	0.6
Profit/Loss Before Tax	**17.7**	**11.3**	**16.2**	**–19.4**	**–11.1**
Taxes	–4.1	–2.8	–3.0	4.1	2.1
Profit/Loss from Continuing Operations	**13.6**	**8.5**	**13.2**	**–15.3**	**–9.0**
Profit/Loss from Discontinued Operations**	5.1	1.5			
Profit/Loss for the Year	**18.7**	**10.0**	**13.2**	**–15.3**	**–9.0**

* 2002 and 2003 have not been restated in accordance IFRS.
** Profit/loss from discontinued operations have not been restated for comparative years 2002-2004.

MSEK	2006	2005	2004	2003	2002
SUMMARY BALANCE SHEETS					
Intangible Assets	47.2	29.7	16.4	10.6	13.4
Tangible Fixed Assets	11.2	24.4	24.3	26.2	29.9
Financial Fixed Assets	1.8	1.5	4.8	0.3	0.3
Current Receivables	74.6	49.7	44.0	34.9	41.9
Cash and Cash Equivalents	17.1	3.4	7.3	5.0	5.9
Total Assets	**151.9**	**108.7**	**96.7**	**77.1**	**91.4**
Equity	92.4	66.7	56.6	37.7	53.0
Provisions	3.3	6.8	6.3	4.5	8.6
Interest-Bearing Liabilities	5.9	5.1	4.5	0.0	0.0
Other Current Liabilities	50.3	30.0	29.3	34.8	29.8
Total Liabilities and Equity	**151.9**	**108.7**	**96.7**	**77.1**	**91.4**

Quarterly Income Statements

MSEK	2006 Q 4	2006 Q 3	2006 Q 2	2006 Q 1	2005 Q 4	2005 Q 3	2005 Q 2	2005 Q 1
Net Sales	79.6	61.1	70.5	67.1	58.6	42.8	50.9	46.0
Capitalized Work	1.1	2.3	2.6	1.4	1.2	1.0	1.6	1.0
Other External Costs	–17.0	–12.6	–15.4	–12.0	–10.1	–7.1	–13.6	–10.6
Personnel Costs	–57.3	–44.2	–51.5	–48.9	–42.9	–32.3	–36.7	–33.8
Depreciation	–2.5	–2.5	–2.0	–2.3	–2.1	–1.8	–1.6	–1.6
Operating Profit	**4.0**	**4.1**	**4.2**	**5.4**	**4.7**	**2.7**	**0.5**	**0.9**
Operating Margin, %	5.0	6.8	6.0	8.0	8.0	6.2	1.0	2.0

Financial Ratios

FINANCIAL OVERVIEW

MSEK	2006	2005	2004	2003	2002
PROFIT MARGINS					
Gross Margin, %	9.7	8.1	12.0	–6.2	–2.8
Operating Margin, %	6.4	4.4	9.4	–11.1	–6.3
Profit Margin, %	6.4	5.7	9.4	–11.0	–6.0
RETURNS					
Return on Operating Capital, %	23.8	14.4	37.3	–48.8	–23.0
Return on Capital Employed, %	21.5	17.0	30.7	–37.3	–16.8
Return on Equity, %	17.1	13.8	26.6	–33.7	–19.9
EQUITY STRUCTURE					
Equity, MSEK	92.4	66.7	56.6	37.7	53.0
Equity Ratio, %	60.9	61.4	58.5	49.0	58.0
Risk Capital, %	62.9	67.5	64.7	54.3	67.5
EMPLOYEES					
No. of Employees at Year End	306	222	186	190	237
Average No.of Employees	273	204	169	204	216
Revenue Per Employee, kSEK	1,020	982	1,024	866	856
PER SHARE DATA					
Average No. of Shares before Dilution, in thousands	8,638	8,105	7,958	7,783	7,626
Number of Shares at Year End before Dilution, in thousands	8,719	8,223	7,983	7,783	7,783
Profit Per Share before Dilution, SEK	2.17	1.24	1.66	–1.97	–1.19
Profit Per Share after Dilution, SEK	2.15	1.23	1.65	–1.97	–1.19
Profit Per Share from Continuing Operations, SEK	1.58	1.05			
Profit Per Share from Continuing Operations after Dilution, SEK	1.56	1.04			
Equity Per Share before Dilution, SEK	10.60	8.11	7.09	4.85	6.81
Equity Per Share after Dilution, SEK	10.49	8.01	7.01	5.46	7.31

DEFINITIONS

Gross Margin
Profit/loss before depreciation as a percentage of net sales.

Operating Margin
Profit/loss after depreciation (excluding profit from associated companies) as a percentage of net sales.

Profit Margin
Profit after net financial items as a percentage of net sales.

Return on Operating Capital
Profit/loss after depreciation as a percentage of average operating capital.

Return on Capital Employed
Profit/loss before financial items plus financial income as a percentage of average capital employed.

Return on Equity
Profit/loss after net financial income/expenses minus tax paid and deferred tax on the year's appropriations as a percentage of average capital employed.

Operating Capital
Total capital employed minus cash equivalents and non interest-bearing liabilities, including deferred tax liability on untaxed reserves.

Capital Employed
Total capital employed less non-interest bearing liabilities.

Equity
Equity including 72 percent of untaxed reserves.

Equity Ratio
Equity (calculated as above) as a percentage of total capital employed.

Percentage of Risk Capital
Equity (calculated as above) plus deferred tax liabilities as a percentage of total capital employed.

Average Number of Employees
Hours paid by the company in relation to normal annual working hours.

Sales Per Employee
Net sales divided by average number of employees.

Average Number of Shares
Average number of shares during the year.

Profit Per Share before Dilution
Profit after net financial items less all taxes, divided by the average number of shares.

Equity Per Share before Dilution
Equity (calculated as above) divided by the number of shares at year-end.

Invoice Rate
Measured as the number of invoicable hours divided by total hours used by the company. This key ratio includes all employees in consulting operations, including management and administration.

Orders
New orders are recorded as soon as a binding agreement is in place with the customer for the delivery of a product or service.

Management Report

GENERAL INFORMATION ABOUT THE BUSINESS

The Board of Directors and CEO of Prevas AB (publ), corporate identity number 556252-1384, registered in Västerås, hereby submit the annual report and consolidated financial statements for the Parent Company and group for the fiscal year 2006.

Prevas is an innovative IT company with a strong company culture that offers its customers solutions that will help them attain a world-class competitive edge. Prevas offers consulting services, products, and support to businesses that develop products with a large IT content or that need to streamline or computerize their activities. By developing intelligence in our customers' products and industrial systems, we create the conditions for profitable products, production and logistics.

The business is made up of two business areas, Product Development and Industrial Systems.

Prevas has operations at seven different locations in Sweden (Gothenburg, Karlstad, Linköping, Malmö, Stockholm, Uppsala and Västerås) and two in Denmark (Copenhagen and Ålborg). Subsequent to year-end, Prevas also became established in Århus, Denmark, following the acquisition of IO Technologies A/S.

SIGNIFICANT EVENTS THAT OCCURRED DURING THE YEAR

Successful Growth

In just over a year's time we have doubled our business. This was achieved through organic growth as well as a number of strategic acquisitions. At the end of February, 2007, Prevas had 440 employees working with innovative IT as compared to 220 employees at the end of 2005. In 2006, new orders were 46 % higher as compared to 2005 and sales increased by 40 %. Our company achieved growth that was more than double the average (8-12%) of other firms in the IT industry during 2006. Simultaneously, operating profit went from MSEK 9 in 2005 to MSEK 18 in 2006. During 2006, the company discontinued its operations in investment properties along with its interest in the associated company, FlexPack Robotics AB. Any income from liquidated companies is shown under the section profit/loss from discontinued operation. During 2006, profit from discontinued operations amounted to MSEK 5.1 (1.5).
Our success during the year can be attributed to the strong demand for our products and services along with the positive effects from our strategic acquisitions.

During the year, large orders were obtained from such companies as ABB, AstraZeneca, Atlas Copco Tools, Cambrex, DIAB, Ericsson, GE Healthcare, Invitrogen Dynal, Phadia, Saab and Stoneridge Electronics.

During 2006, Prevas signed important frame agreements/ cooperation agreements with such companies as: Atlas Copco Tools, Ericsson, GE Healthcare, Saab, Sandvik Coromant and Scania.

Information on Acquisitions and Indorsements Glaze

In January of 2006, Prevas acquired Glaze Holding AB and its subsidiaries. Glaze supplies consultancy services in the development of intelligent products. Besides providing complete project deliveries, Glaze offers cutting-edge expertise within the areas of software, hardware and mechanics. Glaze is located in Malmö, Copenhagen and Ålborg.

Avantel

In July of 2006, Prevas acquired Avantel AB. Avantel has much experience in industries where the demands are very high, such as medical technology, aerospace, aviation and consumer products. Customers include PacketFront, SciBase and Electrolux where they have developed electronics for the first consumer robotic vacuum cleaner, Trilobite®. Avantel is located in Stockholm.

Discontinuation of Investment Properties Business Segment

During 2006, Prevas sold its investment properties resulting in after tax capital gains of MSEK 3.5. See note 9.

Sale of Associated Companies.

During 2006, Prevas sold its investment properties resulting in after tax capital gains of MSEK 0.6. See note 9.

DIRECTED SHARE ISSUE

During 2005, an agreement was signed to acquire 100% of the shares in Glaze Holding AB, corporate identity number 556620-6404, effective January 3, 2006. According to the agreement, shareholders in Glaze received a total of 350,000 newly issued Class B shares in Prevas.

During 2006, an agreement was signed to acquire 100% of the shares in Avantel AB, corporate identity number 556238-7786, effective July 3, 2006. According to the agreement, shareholders in Avantel received a total of 100,000 newly issued Class B shares in Prevas.

SIGNIFICANT EVENTS THAT OCCURRED SUBSEQUENT TO YEAR-END.

Prevas makes big investment in product development with the area of embedded systems - acquires specialist expertise from Teleca.

On January 1, 2007, Prevas acquired business relations and 99 consultants from Teleca Life Science and Teleca Embedded

Solutions. The purchase price of MSEK 32 went to auSystems Sweden East AB, a subsidiary of Teleca AB. The units acquired from Teleca are expected to bring in sales of approximately MSEK 115 during 2007 and pre-tax profit of MSEK 9.

The acquisition of IO Technologies A/S makes Prevas the leader provider of embedded systems in Denmark.

On February 1, 2007, Prevas acquired the Danish firm, IO Technologies A/S. The merger with Prevas' current operations in Denmark will result in a subsidiary with 60 employees and annual sales of MSEK 50.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risks

The Prevas Group's financial risks are low. The financial transactions that occur are solely to support operating activities and no transactions occur for speculative purposes.

Prevas' primarily utilizes the following types of financial instruments: unutilized bank overdraft, cash equivalents, accounts receivable and accounts payable.

Liquidity and Cash Flow Risks

Liquidity and cash flow risks refer to the risk of a higher cost and limited financing opportunities when loans are renewed and the risk that payment commitments cannot be met as a result of insufficient cash/cash equivalents.

The only interest-bearing liabilities within the Prevas Group are financial lease liabilities. The Group has been granted a bank overdraft facility of MSEK 15, which can be utilized to cover temporary financing needs. The international credit rating agency, D&B (Dun & Bradstreet) gave AAA rating to the Prevas Group, which is the highest possible credit rating available.

Interest Risk

Since no investments have been made, the Group's interest rate risk comprises changes in the deposit rate and the lending rate on the Group's checking account. However, Prevas is indirectly affected by the fact that interest rate changes may affect customers' willingness to invest.

The liabilities that exist consist of financial lease liabilities subject to variable interest rates. The maturity schedule for the financial lease liabilities is specified in note 20.

Credit Risk

Credit risk is made up of the Group's outstanding accounts receivable and non-invoiced work-in-progress. Since our customers largely consist of large and medium-sized companies with good solvency, bad debt losses have historically been insignificant. In order to reduce the risk of credit losses, we run credit checks on all new customers. We sometimes run new credit checks on existing customer if there is an indication of a change in solvency. The Prevas Group has had no credit losses during 2006.

Currency Risk

The Group is exposed to different types currency risks. There is a certain exposure related to purchases and sales made in foreign currencies. Risk is related partly to currency fluctuations on financial instruments, accounts payable and accounts receivable. There is also a risk associated with the expected or agreed upon cash flow, i.e., transaction exposure. Currency fluctuations can also affect the value of a subsidiary's assets and liabilities upon consolidation with the Parent Company, i.e., translation exposure or accounting exposure.

(i) Transaction Exposure

Invoicing in amounts other than SEK or DKK make up less tha 1% of total invoicing for the Group. Foreign currency exposure has, in each individual case, been determined to be insignificant and therefore hedging has been deemed unnecessary. Purchases in foreign currency occur to a very small extent.

OTHER RISKS AND UNCERTAINTIES

(ii) Translation/Accounting Exposure

It is Group policy to not use hedging to mitigate translation exposure for foreign currencies. Note 1, accounting principles, net investment hedging, explains how this is dealt with for accounting purposes.

The Business Cycle and the Market

In 2006, the economy was strong and there was good economic growth in both Sweden and abroad. The IT and consulting industries made a positive turn with most companies posting increased operating profits. Hourly rates have not kept pace with demand, but they have clearly begun to rise.

During the year, Prevas has actively sought to find suitable candidates for acquisition that can strengthen our activities and contribute to our expansion.

Competition from low-cost countries, otherwise known as "offshoring," has recently become a big issue. Prevas has developed its own concept, Prevas Smart Shoring, for development in low-cost countries.

Project Risks

Prevas delivers a large proportion of its projects at a fixed price.

The risks associated with fixed-price projects are managed by means of Prevas' ISO certified project model, which regulates in detail the management and control of projects. Prevas'

successful management of fixed-price projects can be seen in well-documented indicators for high delivery reliability and low warranty costs.

Attracting and Maintaining Expertise

The state of the market influences Prevas' ability to attract new employees and maintain its high level of expertise. Prevas' employees, together with our customers, are our most important asset. At present, the labor market situation provides good opportunities for recruiting new, skilled employees. However, within certain skill areas and geographical regions, it is becoming more difficult to recruit qualified employees. Prevas is committed to creating a corporate culture that keeps employee turnover at a minimum and attracts the best employees to each of its business areas.

INFORMATION ON NON-FINANCIAL PERFORMANCE INDICATORS

The nature of Prevas' operations are not such that they have a negative impact on the environment. Any effects to the environment from Prevas' operations are dealt with in the company's environment, travel and company car policy.

Consideration to the environment is made by trying to minimize travel, as stated in the travel and company car policy. These guidelines aim at encouraging good planning and follow-up to ensure that all business trips made by Prevas' employees are as efficient, economical, environmentally friendly and safe as possible.

Prevas' environmental policy encompasses not only purely environmental issues, but also working environment concerns. This includes factors that can affect the physical working environment as well as social and psychological factors.

AN ACCOUNT OF THE WORK DONE BY THE BOARD OF DIRECTORS DURING THE YEAR PLUS CORPORATE GOVERNANCE

During the year 2006, the Board of Directors met 9 times. The minutes for each of these meetings were kept. There is a formal work plan that is followed by the Board of Directors. There are a scheduled number of meetings and at each meeting the Board determines which issues it is obligated to address at the following meeting. There are separate instructions that describe how duties are to be delegated between the Board and the CEO. The Board has also established specific instructions for financial reporting. The company auditor is required deliver an audit report at least once annually.

A remuneration committee is responsible for approving and monitoring any incentive schemes for company employees. The remuneration committee consists of the following individuals: Stieg Westin, Bernt Ericson and Göran Lundin. The committee is instructed by the Board to review and approve all wage and other remuneration schemes to the CEO and others in the company's management team.

An election committee is appointed at the Annual General Meeting. The election committee for the 2007 Annual General Meeting consists of: Jan Karlsson (Director of Länsförsäkringar Bergslagen), Claes Dinkelspiel, Anders Hallqvist and Göran Lundin.

The market capitalization of Prevas in less than SEK 3 billion and therefore the Swedish Code for Corporate Governance does not apply.

EXPECTATIONS FOR FUTURE DEVELOPMENT

The IT market in the Nordic region is expected to grow by 5 to 6 percent during 2007 and 2008. Continued high demand means that both customers and consulting firms will face a shortage of expertise. Accordingly, offshoring of IT services is expected to continue. This involves moving operations to low-cost countries along with increased pressure for more efficient business processes, production and product development. Prevas' offerings within Product Development and Industrial Systems helps our customers to meet these challenges, thereby strengthening their competitive position. Consolidation of the IT market continues and Prevas actively seeks strategic acquisitions that complement and enhance the company. Prevas aims at establishing itself in at least one new country during 2007. For 2007, Prevas predicts continued good demand and strong growth. New recruitments and acquisitions are expected to bring much higher sales in 2007.

PROPOSED ALLOCATION OF COMPANY PROFITS

The Board of Directors and CEO propose that the available profit of SEK 33,630,889 is distributed as follows:

Dividends Paid	
(8,750,450 shares * SEK 1.00/share)	SEK 8,750,450
Carried Forward	SEK 24,880,439
Total	SEK 33,630,889

For further information on the company's profit and financial position, refer to the company income statement, balance sheet and accompanying notes to the financial statements.

A statement from the Board regarding the proposed allocation of company profits will by posted on the company website and will also be available at the Annual General Meeting.

Consolidated Income Statement

1 JANUARY - 31 DECEMBER

kSEK	Note	2006	2005
Net Sales	2	**278,389**	**198,304**
Operating Expenses			
Capitalized Work on Own Account	10	7,362	4,819
Other External Costs	5	–56,941	–41,320
Personnel Costs	4	–201,814	–145,740
Depreciation	10, 11	–9,194	–7,277
Total Operating Expenses		**–260,587**	**–189,518**
Operating Profit		**17,802**	**8,786**
Financial Income		448	2,658
Financial Expenses		–517	–169
Net Financial Items	6	**–69**	**2,489**
Profit/Loss before Tax		**17,733**	**11,275**
Taxes	8	–4,101	–2,750
Profit/Loss from Continuing Operations		**13,632**	**8,525**
Profit/Loss from Discontinued Operations	9	5,096	1,515
PROFIT/LOSS FOR THE YEAR		**18,728**	**10,040**
Profit Per Share before Dilution, SEK	19	2.17	1.24
Profit Per Share after Dilution, SEK	19	2.15	1.23

Consolidated Balance Sheet

AS OF 31 DECEMBER

kSEK	Note	2006	2005
ASSETS			
Intangible Assets	10	47,227	29,708
Tangible Fixed Assets	11	11,187	8,379
Investment Properties	12	–	16,000
Shares in Associated Companies	13	–	859
Other Long-Term Receivables	15	1,005	664
Deferred Tax Assets	8	796	–
Total Fixed Assets		**60,215**	**55,610**
Accounts Receivable		54,537	31,504
Prepaid Expenses and Accrued Income	16	19,257	17,927
Other Receivables		834	242
Cash Equivalents	17, 25	17,053	3,368
Total Current Assets		**91,681**	**53,041**
TOTAL ASSETS		**151,896**	**108,651**
EQUITY AND LIABILITIES			
EQUITY	18		
Stock		21,801	20,556
Other Capital Contributions		26,061	16,174
Retained Earnings, incl. Net Profit/Loss for the Year		44,588	29,965
Total Equity		**92,450**	**66,695**
LIABILITIES			
Long-Term Interest-Bearing Liabilities	20	5,910	5,078
Other Provisions	22	200	200
Deferred Tax Liabilities	8	3,065	6,637
Total Long-Term Liabilities		**9,175**	**11,915**
Accounts Payable		12,873	6,560
Current Tax Liability		5,245	2,493
Other Liabilities		11,897	7,938
Accrued Expenses and Deferred Income	23	20,256	13,050
Total Current Liabilities		**50,271**	**30,041**
TOTAL EQUITY AND LIABILITIES		**151,896**	**108,651**

Information on any pledged assets and contingent liabilities for the Group, see note 25.

Consolidated Cash Flow Statement

AS OF 31 DECEMBER

kSEK	Note	2006	2005
Operating Profit		17,802	8,786
Items Not Included in Cash Flow			
- Depreciation and Write-Downs		9,194	7,277
- Provisions, etc.		–271	–149
Interest Paid		–213	–40
Taxes Paid and Refunds		–3,934	–2,605
Cash Flow from Discontinued Operations	9	786	1,515
Cash Flow from Continuing Operations before Changes in Working Capital		**23,364**	**14,784**
Changes in Current Receivables		–17,938	–4,176
Changes in Current Liabilities		11,005	–3,314
Cash Flow from Continuing Operations		**16,31**	**7,94**
INVESTMENT ACTIVITIES			
Acquisition of Subsidiaries	29	–1,799	2,503
Net Investments in Intangible Fixed Assets	10	–8,151	–5,919
Net Investments in Tangible Fixed Assets	11	–5,807	–4,399
Cash Flow from Liquidated Companies	9	18,419	–
Cash Flow from Investment Activities		**2,662**	**–7,815**
FINANCING ACTIVITIES			
New Loans, Financial Lease Agreements		832	568
Amortization of Acquired Loans		–2,846	–
Employee Stock Option Program		717	–
Paid Dividends		–4,111	–3,991
Cash Flow from Financing Activities		**–5,408**	**–3,423**
CASH FLOW FOR THE YEAR		**13,685**	**–3,944**
Cash Equivalents at the Beginning of the Year		3,368	7,312
Cash Equivalents at the Beginning of the Year		17,053	3,368
Change		**13,685**	**–3,944**

SUMMARY OF CHANGES IN EQUITY

kSEK	Stock	Additional Paid-In Capital	Retained Earnings	Total
Equity as of 1/1/05	19,956	12,039	24,571	56,566
Effects from Change in Accounting Principle IAS 39			–655	–655
Adjusted Equity as of 1/1/05 IFRS	19,956	12,039	23,916	55,911
New Capital Issue	600	3,480		4,080
Issue of Own Share Warrants		655		655
Dividends			–3,991	–3,991
Profit/Loss for the Year			10,040	10,040
Equity as of 12/31/05	**20,556**	**16,174**	**29,965**	**66,695**
Equity as of 1/1/06	20,556	16,174	29,965	66,695
New Capital Issue	1,125	9,060		10,185
Employee Stock Option Program	120	597		717
Issue of Own Share Warrants		230		230
Translation Difference			6	6
Dividends			–4,111	–4,111
Profit/Loss for the Year			18,728	18,728
Equity as of 12/31/06	**21,801**	**26,061**	**44,588**	**92,450**

Income Statement - Parent Company

1 JANUARY - 31 DECEMBER

kSEK	Note	2006	2005
Net Sales	2	**235,180**	**198,304**
Capitalized Work on Own Account	10	7,362	4,819
Operating Expenses			
Other External Costs	5	–56,423	–51,066
Personnel Costs	4	–166,459	–138,497
Depreciation	10, 11	–5,851	–5,884
Total Operating Expenses		**–228,733**	**–195,447**
Operating Profit		**13,809**	**7,676**
Profit/Loss from Participations in Group Companies	6	–551	–1,774
Profit/Loss from Participations in Group Companies	6	610	–
Other Interest Income and Similar Items	6	339	2,768
Interest Expenses and Similar Items	6	–128	–32
Profit/Loss after Financial Items		**14,079**	**8,638**
Appropriations	7	8,368	2,531
Profit/Loss before Tax		**22,447**	**11,169**
Taxes	8	–6,631	–3,131
PROFIT/LOSS FOR THE YEAR		**15,816**	**8,038**
Operating Margin, %		5.9	3.9
Profit Margin, %		6.0	4.4

Balance Sheet - Parent Company

AS OF 31 DECEMBER

kSEK	Note	2006	2005
ASSETS			
FIXED ASSETS			
Intangible Assets	10	15,075	10,845
Tangible Fixed Assets	11	4,362	3,168
Financial Fixed Assets			
Participations in Group Companies	27	28,587	25,087
Participations in Associated Companies		–	650
Long-Term Receivables	15	1,005	664
Total Fixed Assets		**49,029**	**40,414**
CURRENT ASSETS AND RECEIVABLES			
Accounts Receivable		45,387	31,295
Receivables from Group Companies	14	7,491	5,802
Other Receivables		596	165
Prepaid Expenses and Accrued Income	16	15,002	17,808
Total Current Receivables		**68,476**	**55,070**
Cash and Cash Equivalents	17, 25	11,426	1,949
Total Current Assets		**79,902**	**57,019**
TOTAL ASSETS		**128,931**	**97,433**
EQUITY AND LIABILITIES			
EQUITY			
RESTRICTED EQUITY	18		
Stock		21,801	20,556
Statutory Reserve		16,981	16,981
NON-RESTRICTED EQUITY			
Share Premium Reserve		9,657	–
Retained Earnings		8,158	4,231
Profit/Loss for the Year		15,816	8,038
Total Equity		**72,413**	**49,806**
Untaxed Reserves	28	1,810	10,178
Provisions	22	200	200
CURRENT LIABILITIES			
Accounts Payable		11,675	6,014
Liabilities to Group Companies		12,836	10,628
Current Tax Liability		5,056	1,839
Other Liabilities		9,293	6,574
Accrued Expenses and Deferred Income	23	15,648	12,194
Total Current Liabilities		**54,508**	**37,249**
TOTAL EQUITY AND LIABILITIES		**128,931**	**97,433**
Pledged Assets	25	25,003	24,931
Contingent Liabilities	25	5,301	1,506

Parent Company Cash Flow Statement

AS OF 31 DECEMBER

kSEK	Note	2006	2005
Operating Profit/Loss (EBIT)		13,809	7,676
Items Not Included in Cash Flow			
- Depreciation and Write-Downs		5,851	5,705
- Provisions, etc.		–495	–113
Interest Received		211	207
Taxes Paid and Refunds		–3,413	–3,131
Cash Flow from Continuing Operations before Changes in Working Capital		**15,963**	**10,344**
Changes in Current Receivables		–13,406	–4,508
Changes in Current Liabilities		15,386	1,327
Cash Flow from Continuing Operations		**17,943**	**7,163**
INVESTMENT ACTIVITIES			
Sale of Associated Companies		1,260	–
Sale of Subsidiaries		8,689	–
Investment in Intangible Assets		–11,896	–5,919
Investment in Tangible Fixed Assets		–3,125	–2,590
Cash Flow from Investment Activities		**–5,072**	**–8,509**
FINANCING ACTIVITIES			
Employee Stock Option Program		717	–
Dividend Paid		–4,111	–3,991
Cash Flow from Financing Activities		**–3,394**	**–3,991**
CASH FLOW FOR THE YEAR		**9,477**	**–5,337**
Cash Equivalents at the Beginning of the Year		1,949	7,286
Cash Equivalents at the Beginning of the Year		11,426	1,949
Change		**9,477**	**–5,337**

SUMMARY
CHANGES IN EQUITY

	Restricted Equity			Non-Restricted Equity			Total Equity
kSEK	Stock	Statu-tory Reserve	Share Premium Reserve	Share Premium Reserve	Retained Earnings	Profit/ Loss for the Year	
Equity as of 1/1/05	19,956	3,507	9,339		–	8,877	41,679
Effect of Changes in Accounting Principles					–655		–655
Adjusted Equity as of 1/1/05 IFRS	19,956	3,507	9,339		–655	8,877	41,024
Allocation of Previous Year's Profit					8,877	–8,877	0
New Issue	600		3,480				4,080
Dividend					–3,991		–3,991
Issue of Own Share Warrants			655				655
Profit/Loss for the Year						8,038	8,038
Redistribution of Share Premium Reserves to Statutory Reserves		13,474	–13,474				0
Equity as of 12/31/05	**20,556**	**16,981**	**0**		**4,231**	**8,038**	**49,806**
Equity as of 1/1/06	20,556	16,981	0	0	4,231	8,038	49,806
Allocation of Previous Year's Profit					8,038	–8,038	0
New Issue	1,125			9,060			10,185
Dividend					–4,111		–4,111
Employee Stock Option Program	120			597			717
Profit/Loss for the Year						15,816	15,816
Equity as of 12/31/06	**21,801**	**16,981**	**0**	**9,657**	**8,158**	**15,816**	**72,413**

Notes to the Financial Statements

NOTE 1 ACCOUNTING PRINCIPLES

(a) Accordance with Norms and Legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) along with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. In addition, we have applied recommendation RR 30:05, "Additional Accounting Rules for Group Accounts," issued by the Swedish Financial Accounting Standards Council.

The Parent Company has applied the same accounting principles as the Group, except in certain specific instances that are stated under "Parent Company Accounting Principles." Deviations between the principles used by the Parent Company and the Group (IFRS) were caused by constraints from having to comply with the Swedish Annual Accounts Act (ÅRL), the Act on Safeguarding Pension Obligations (Tryggandelagen), or, in some instances, tax considerations.

The Annual Report and Consolidated Financial Statements were approved for issue by the Board on February 27, 2007. The consolidated income statement, consolidated balance sheet, Parent Company income statement and Parent Company balance sheet with be brought forth for adoption at the Annual General Meeting on March 28, 2007.

(b) Conditions for Preparation of the Parent Company and Consolidated Financial Statements

Assets and liabilities are reported at historical acquisition value, with the exception of certain financial assets, financial liabilities and investment properties, where the fair value was used. Financial assets and liabilities reported at fair value consist of derivative instruments, financial assets that are classified as such and represented at fair value in the income statement, or available-for-sale financial assets.

Fixed assets and disposal groups that are held for sale are shown at the lesser of prior carrying amount and fair value less selling costs.

(c) Changes in Accounting Principles

Unless otherwise stated, the accounting principles (discussed below) that were used to prepare the Group accounts were consistently applied to each period that is presented in the consolidated financial reports. The accounting principles for the Group were consistently applied for reporting and consolidation of the Parent Company, subsidiaries and associated companies. None of the IAS, IFRS or IFRIC standards that came into effect during 2006 have had any impact on the financial reports.

Certain comparative figures have been reclassified in order to correspond with the presentation of the current year's financial reports. See also note 9, Discontinued Operations.

(d) Segment Reporting

A segment is an identifiable part of the Group that is included in the accounts. It may either supply specific products or services (business segment) or products and services to a specific economic area (geographic region) where it is exposed to risks and opportunities that differ from other segments. The Group's primary segments are defined as business segments. Operations in Denmark for the year were less that 10% of the total sales and operating profit for the Group. Accordingly, a separate disclosure on secondary segments was not made.

In accordance with IAS 14, segment information has only been provided for the Group.

(e) Classifications, etc.

Fixed assets and long-term liabilities in the Parent Company and Group consist almost exclusively of amounts expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and short-term liabilities in the Parent Company and Group consist almost exclusively of amounts expected to be recovered or paid within 12 months after the balance sheet date.

(f) Consolidation Principles

(i) Subsidiaries

Subsidiaries are companies in which Prevas AB is able to exert a controlling influence. Controlling influence implies the direct or indirect ability to formulate a company's financial or operating strategies in order to reap financial benefits. An assessment of controlling influence involves determining whether the shares with potential voting rights can be used or converted without delay.

Subsidiaries are reported in accordance with the purchase accounting method. Using this method, the acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes responsibility for its liabilities and contingent liabilities. The consolidated acquisition value is determined through an acquisition analysis in conjunction with the business acquisition. The analysis establishes the acquisition value of the shares or business operations, along with the fair value of the acquired, identifiable assets and the acquired liabilities and contingent liabilities. The acquisition value of the subsidiary's shares and its business is determined by the fair value as of the transfer date for the acquired assets, assumed/newly arisen liabilities and newly issued equity instruments that were given as consideration in exchange for the acquired net assets, including any transaction costs that are directly related to the acquisition. In business acquisitions where the acquisition cost exceeds the net value of the acquired assets and assumed liabilities/contingent liabilities, the difference is shown as goodwill. If the difference is negative, it is directly entered in the income statement.

The financial reports of subsidiaries are included in the consolidated financial statements as of the acquisition date and until such time as the controlling influence no longer exists.

(ii) Associated Companies

Associated companies are companies in which the Group has a significant, but not controlling influence over operating and financial policies, typically via its shareholdings ranging from 20 to 50% of total voting rights. Shares in the associated companies are reported in the Consolidated Financial Statements in accordance with the equity method, as of the effective date on which significant influence is acquired. In accordance with the equity method, the Group's carrying amounts for shares in associated companies corresponds with the Group's share of equity in the associated

cont. note 1

companies, as well as consolidated goodwill and other possible residual values of consolidated surplus and deficit values. The Group's share in associated companies was terminated during 2006. The profit/loss from "interest in associated companies" is included in the profit/loss from discontinued operations.

(iii) Transactions to be Eliminated on Consolidation
Intra-group receivables, liabilities, revenues or expenses and unrealized gains and losses attributable to intra-Group transactions between Group companies are fully eliminated when the Consolidated Financial Statements are prepared.

Unrealized gains arising from transactions with associated companies and jointly controlled companies are eliminated to the extent that corresponds with the Group's ownership share in the companies. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no indication of a write-down requirement.

(g) Foreign Currency

(i) Transactions in Foreign Currency
Transactions in foreign currency are converted to the functional currency using the exchange rate that was applicable on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the exchange rate prevailing on the balance sheet date. Unrealized exchange rate differences are accordingly reported in the income statement. Translation differences on operating receivables and liabilities are included in the income statement.

(ii) Financial reports concerning foreign operations
Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the functional currencies of the foreign business operations to the Group's reporting currency, Swedish Crown (SEK), using the exchange rate prevailing on the balance-sheet date. Revenues and expenses in foreign operations are translated to SEK using an average exchange rate that represents an approximation of the exchange rates for each transaction date in question. Translation differences arising from currency translations of foreign operations are reported directly to equity as a translation reserve.

(h) Income

(i) Sale of Goods and Performance of Services
Services are conducted either on a running account basis or at a fixed price. In either case, income is reported using the percentage of completion method. For assignments conducted on a running basis, income is recorded in the same period as the work was done.

For fixed-price assignments, income is recorded at the same rate as the work is completed, provided that a reasonable estimate can be made of the related income and expenses. The company estimates the final costs for the assignment on a continual basis. The percentage of completion at each closing of the books corresponds to the costs incurred for the assignment to date in relation to the total estimated costs upon completion. The assignment's income of a particular period equals the total expected income for the assignment multiplied by the percentage of completion at that date.

For assignments that do not cover their costs, a full reservation for the loss is made as soon as such loss is anticipated.

Income from the sale of products is recorded upon delivery and acceptance by the customer.

Income recognition for support contracts is made on a linear basis over the duration the contract.

(ii) Rental Income
Income recognition for rental income from investment properties is made on a linear basis and recorded in the income statement based on the terms in the leasing contract. Any benefits received are recorded on a linear basis as a reduction in rental income over the leasing period.

(i) Operating Expenses and Financial Income and Expenses

(i) Payments of Obligations under Finance Leases
The minimum lease payment is allocated between interest expense and amortization of the outstanding debt. The interest expense is distributed over the leasing period so that each reporting period is burdened by an amount equivalent to a fixed interest rate for the reported debt in each period.

(ii) Financial Income and Expenses
Financial income and expenses are comprised of interest income on bank balances, interest expenses on loans and unrealized and realized profits on derivative instruments.

Interest income on receivables and interest expense on liabilities are calculated using the effective interest method. The effective rate is the interest rate that renders the present value of all future cash receipts and disbursements during the anticipated remaining fixed interest term equal to the carrying amount of the receivable or liability. The interest component in financial leasing payments is reported in the income statement and calculated using the effective interest rate method. Interest income includes accrued amounts of transaction expenses and any discounts, premiums and other differences between the original value of the receivable and the amount received at the date of maturity.

Dividend income is recorded when the right to receive the dividend has been confirmed.

Neither the Group nor Parent Company capitalize interest on the acquisition value of assets.

(j) Financial Instruments

Financial instruments that are shown in the balance sheet as assets include cash equivalents, receivables on loans, accounts receivable and derivatives. Financial instruments that are shown in the balance sheet as liabilities include accounts payable and finance lease liabilities.

A financial asset or liability is recorded in the balance sheet as soon as the company has committed to the terms of the contract. Accounts receivable are recorded in the balance sheet as soon as an invoice has been sent. Liabilities are recorded as soon as the other party has performed the service and there is a contractual obligation to pay, even if an invoice has not yet been received.

A financial asset (or part thereof) is removed from the balance sheet once the rights as per the contract are realized or fall due, or the company largely transfers the risks and benefits associated with ownership. A financial liability (or part thereof) is removed from the balance sheet once the obligation under the contract has been fulfilled or otherwise expired.

The acquisition and sale of financial assets are recorded on the trade date, i.e., when the company commits to acquiring or disposing of the asset. Derivative instruments, including embedded derivatives, are recorded on the trade date, i.e., when the company becomes bound by an agreement.

A financial instrument is offset and reported at net value in the

cont. note 1

balance sheet only when there is a legal right to offset the sum and there is an intention to regulate the items with a net sum or at the same time realize the asset and regulate the debt.

Financial instruments are initially recorded at acquisition value corresponding to the instrument's fair value. The fair value on derivatives in the form of options is based on changes in its value over time.

(i) Hedging on Net Investments

Investments in foreign subsidiaries (net assets including goodwill) have not been hedged, since the book value of these assets is negligible and the exchange rate between the SEK and DKK currencies is relatively stabile. Profit and loss on exchange rates are recorded directly in the income statement.

(ii) Accounts Receivable and Other Current and Long-Term Receivables

Receivables (not including derivatives) with payments that can be determined and that are not listed on an active market are recorded at the amortized cost less the estimated risk for loss. The amortized cost is calculated on the basis of the asset's initial effective rate of interest. Accounts receivable and other current receivables expected to mature within 12 months are shown at nominal value. Each receivable is tested individually to determine whether there is a risk for loss. The receivable is then recorded at the amount that is expected to be received. Write-downs are made when necessary and are recorded directly in the income statement.

(iii) Derivative Instruments

Derivative instruments are comprised of issued warrants on own shares and contractual terms that are embedded in other agreements. When applicable, embedded derivatives are split into the respective component parts with separate reporting for each gain/loss. Changes in the value of derivative instruments, both independent and embedded, are recorded in the income statement as part of net financial income/expense.

(iv) Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of cash and readily available bank deposits. Cash and bank deposits are reported at nominal value. Cash and Cash Equivlents are defined in the same way in both the cash flow statement and balance sheet.

(v) Financial Liabilities

Financial liabilities are classified in the category of other financial liabilities and are comprised of liabilities related to finance leases. They are initially recorded as the amount received less transaction costs. The liability is thereafter reported continually at amortized cost using the effective interest method.

(vi) Accounts Payable and Other Operating Liabilities

Accounts payable and other operating liabilities are classified in the category of other financial liabilities and are recorded at the value of amortized cost using the effective interest method at the time of acquisition, which normally is equivalent to the nominal value.

Accounts payable are short-term and are therefore recorded at nominal value without discounting.

(vii) Exchange Rate Differences.

A very small portion of the Group's invoicing is in foreign currency. Accordingly, the Group's currency exposure is negligible. There has been no hedging on foreign currency during 2006 or 2005. Exchange rate differences on assets and liabilities related to operations are reported as part of the operating income/expense while exchange rate differences on financial assets and liabilities are reported as part of net financial income/expense.

(k) Tangible Fixed Assets

(i) Owned Assets

Tangible fixed assets are made up of equipment, computers, and automobiles. They are shown at historical acquisition cost less scheduled depreciation.

(ii) Leased Assets

For leased assets, IAS 17 has been applied. Leases are classified as either operating or finance in the consolidated financial statements. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, it is classified as an operating lease.

Financial leases are comprised mainly of company cars.

The assets that are leased as part of a leasing agreement are shown as assets in the consolidated balance sheet. Future leasing payment obligations are shown as long-term and short-term liabilities. The leased assets are depreciated according to schedule and the lease payments are appropriated between the finance charge and the reduction of the outstanding liability.

(iii) Borrowing Costs

Borrowing costs are expensed on an on-going basis in accordance with the basic treatment described in IAS 23.

(iv) Depreciation Principles

Depreciation is made on a straight-line basis over the asset's useful life. No depreciation is made on property.

The following percentages are used to calculate depreciation:

- Equipment 12.5 – 20 %
- Computer equipment 20 – 33 %

An assessment is made each year of the asset's remaining useful life and residual value.

(l) Intangible Assets

(i) Goodwill

Goodwill represents the difference between the acquisition value of the acquired business and the fair value of the acquired assets, assumed liabilities and contingent liabilities.

Regarding the goodwill on acquisitions made before January 1, 2004, the Group has not applied IFRS retroactively as part of its adoption of IFRS. Going forward, we will continue to show the carrying amount at balance sheet date, which is the Group's acquisition value after any necessary write-offs. See note 10.

Goodwill is shown at acquisition value minus any accumulated write-downs. Goodwill is allocated amongst cash-generating units and is no longer depreciated. Instead, it is tested annually for any necessary write-downs (see item n: write-downs, under the section on accounting principles). Goodwill that occurs in conjunction with the acquisition of an associated company is included in the carrying amount for participations in associated companies.

In business acquisitions where the acquisition cost is less than the net value of the acquired assets and assumed liabilities/contingent liabilities, the difference is taken up directly in the income statement.

(ii) Research and Development

Expenditure on development, where the results of any research or other knowledge are utilized to bring about new or improved

cont. note 1

products or processes, is reported as an asset in the balance sheet. However, this is based upon the condition that the product or process is technically or commercially viable and the company has sufficient resources to complete development and thereafter utilize or sell the intangible asset. The carrying amount includes expenditures on materials, direct costs for wages and indirect costs that can reasonably and consistently be attributed to the asset. Other development costs are expensed in the income statement as incurred. Development costs reported in the balance sheet are shown at acquisition cost less accumulated depreciation and any write-downs.

(iii) Other Intangible Assets

Other intangible assets that are acquired by the Group are shown at acquisition value less accumulated depreciation and any write-downs (see item n: write-downs, under the section on accounting principles).

Accrued expenses for internally generated goodwill and internally generated trademarks are expensed in the income statement as incurred.

(iv) Additional Expenses

Additional expenses for capitalized intangible assets are reported as an asset in the balance sheet only when they increase the expected future financial benefits for that particular asset. All other costs are expensed as incurred. Any additional expenses that should be capitalized are shown under the heading for capitalized development expenditure.

(v) Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the intangible asset, provided the duration of such useful life can be assessed. Goodwill and intangible assets with an uncertain useful life are assessed annually to see if a write-down is necessary. However, such an assessment and consequent write-down is required whenever there is any indication that the value of the asset has diminished. Depreciation of intangible assets begins as soon as the asset is available for use. The estimated useful life for each type of intangible asset is shown below:

- patents and trademarks 3 years
- capitalized development expenditure 3 years
- customer-based intangibles 6 years

(m) Investment Properties

Investment properties are those which are held for the purpose of receiving rental income, appreciating in value, or both. Investment properties are initially shown at acquisition cost, including any costs that are directly related to the acquisition. Investment properties are reported in the balance sheet at fair value. The fair value is based entirely on independent third-party valuations. Such individuals must have recognized qualifications and adequate knowledge in valuing properties of similar type and with a similar location. Such valuations are normally made on a yearly basis. If, during the year, there are indications of significant changes in value, a reassessment will take place in connection with the quarterly report.

Unrealized and realized gains and losses resulting from changes in the value of investment properties are reported in the income statement. Rental income and income from property sales are reported in accordance with the accounting principles on reporting income (see item h above).

(n) Write-Downs

The reported values for the Group's assets are tested at each closing of the books in order to determine whether any write-downs in value are necessary. However, an exception is made for the following: available-for-sale assets and disposal groups that are reported in accordance with IFRS 5, investment properties and deferred tax assets. The asset's recoverable amount is calculated if there is any indication of a necessary write-down. There is an exception made for certain assets (above) and such assets are tested according to the relevant standard.

The recoverable amount is calculated annually for any goodwill or intangible assets with an uncertain useful life and intangible assets that are not yet available for use.

If, when testing the need for a write-down, the future expected cash flow for a particular asset can not be determined with reasonable certainty, then the test is made on the cash generating unit, i.e., the smallest group of assets to which that asset belongs. A write-down is recorded whenever the carrying amount for an asset or cash generating unit exceeds the recoverable amount. Write-downs are recorded in the income statement.

Any write-down on assets that belong to a cash generating unit are allocated first to goodwill. Then, a proportional write-down is made on the other assets belonging to the cash generating unit (group of units).

Goodwill and other intangible assets with an uncertain useful life were tested for write-down on January 1, 2004 (in conjunction with the transition to IFRS). There was otherwise no indication of a need for write-down on these assets.

(i) Calculating Recoverable Amount

The recoverable amount on the following types of assets is calculated as the present value of expected future cash flows, discounted by the effective interest rate when the asset was first recorded: held-to-maturity investments, loans and receivables (amortized cost value). Short-term assets are not discounted.

The recoverable amount on other assets is either the fair value less selling expenses or the value-in-use (whichever is higher). In calculating the fair value, future expected cash flows are discounted by a factor that takes into consideration the risk-free interest rate along with the risk associated with that particular asset. The recoverable amount for the cash generating unit is calculated for essentially independent assets belonging to the unit that do not generate an expected future cash flow of their own.

(ii) Reversal of Write-Downs

For held-to-maturity investments along with loans and receivables (amortized cost value), a write-down reversal is made if a subsequent increase in the recoverable amount can objectively be attributed to an event that occurred after the write-down was performed.

A write-down reversal on goodwill is never allowed.

Write-downs on other assets are reversed if there is a change in the assumptions that formed the basis for calculating the recoverable value.

A write-down is only reversed to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had if a write-down had not been performed (taking into consideration any depreciation that would have been made).

cont. note 1

(o) Capital Stock

(i) Dividends

Dividends are reported as a liability as soon as the dividend has been approved at the Annual General Meeting.

(p) Profit Per Share

The calculation of profit per share is based on the Group's profit/loss for the year attributable to the Parent Company's shareholders and based on the weighted average number of shares outstanding during the year. In calculating the profit per share after dilution, profit/loss for the year and the average number of shares outstanding are adjusted in order to take into account the effects of a possible dilution of common stock from options that were issued to employees during the period(s).

Profit per share is given it total, as well as for continued operations and discontinued operations.

(q) Employee Benefits

(i) Defined Contribution Plans

Obligations for defined contribution benefit plans are expensed as incurred in the income statement.

(ii) Defined Benefit Plans

Prevas primarily uses ITP insurance with Alecta to provide retirement pensions and family pensions for salaried employees. According to a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, ITP insurance with Alecta should be reported as a defined contribution pension plan. The argument provided for this decision is that, in view of the design of the ITP plan, there are no opportunities to calculate surpluses or deficits within the plan and their possible impact on future premiums. The annual fees for pension insurance with Alecta amounted to MSEK 7.5.

Alecta's surplus may be distributed amongst the policy holder(s) and/or the insured. At the end of 2006, Alecta's surplus in the form of the collective funding ratio amounted to 143%.

(iii) Stock-Related Compensation

An employee stock option program enables employees to obtain shares in the company. The employee stock option program that is currently in place at Prevas was adopted before November 7, 2002 and in accordance with IFRS 1 and IFRS 2, no personnel costs have been recorded for options that were allocated before that date. During 2006, a small number of options from this program have been allocated. For these options, the fair value was recorded as part of personnel costs along with a corresponding increase in equity.

Social security contributions for stock-related compensation to employees have been expensed in the same period for which such services were rendered. The provision for social security contributions is based on the fair value of the options at the time of the report. Fair value is calculated in accordance with the Black-Scholes model.

(iv) Pay Related to Notice of Termination

A provision may be required in connection with the notice for termination of employment. This is the case only when it can be demonstrated that the company has been obligated to prematurely terminate employment or when compensation is given to encourage the employee to voluntarily terminate his/her employment. In those instances when the company gives notice of termination, a detailed plan must be made that includes at least the following items: place(s) of work, job description(s), and the approximate number of employees that are affected, along with the compensation related to each personnel category or job description. An implementation schedule for the plan must also be provided.

(r) Provisions

Provisions are defined as liabilities that are uncertain with regards to either the amount or date when they will be settled. Warranty costs are reported in the balance sheet as provisions. Provisions are made for both the estimated cost of known warranty issues and the estimated cost for additional warranty issues that are still unknown (based on historical data).

(s) Income Tax

Total tax is comprised of current tax and deferred tax.

Current tax is the tax that will be paid or refunded based on the current year. Current tax also includes adjustments to taxes paid in prior periods.

Deferred tax is calculated using the balance sheet approach. This involves determining the tax base of assets and liabilities in order to calculate temporary differences. Temporary differences are not taken into account in consolidated goodwill.

The deferred tax calculation is based on the tax rates and tax regulations that have been decided or announced at year-end.

Deferred tax assets pertaining to deductible temporary differences are only reported to the extent that they are likely to result in lower tax payments in the future.

(t) Contingent Liabilities

A contingent liability is reported when there is a possible commitment deriving from events that have occurred whose existence can only be confirmed if one or more uncertain future events occur. A contingent liability is also reported when there is a commitment that has not been reported as a liability or entered as a provision because it is not certain that an outflow of resources will be required.

(u) Discontinued Operations

During 2006, the company disposed of its investment properties. In prior financial statements, these were reported as a separate segment. At the time of sale on the most significant investment property holding, the income was reclassified and reported separately under discontinued operations, see note 9. Comparative year amounts in the income statement and cash flow statement have been adjusted.

Parent Company Accounting Principles

The Parent Company has prepared the annual report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR 32:05, Accounting for Legal Entities. As a result of RR 32:05,the Parent Company, as the legal entity, must apply all of the EU approved IFRS and statements to the extent that this is possible within the framework of the Annual Accounts Act and taking into account the correlation between accounting and taxation. This recommendation specifies the exceptions from and additions to IFRS that may be applied.

Differences between the accounting principles used by the Group and those used by the Parent Company are specified below. The accounting principles described below that were used by the Parent Company have been consistently applied to all periods that are reported in the Parent Company's financial statements.

cont. note 1

Subsidiaries and Associated Companies

Participations in subsidiaries and associated companies are reported by the Parent Company according to the acquisition value method. Dividends received are reported as revenue only if they derive from earnings accrued after the acquisition. Dividends exceeding these accrued earnings are regarded as repayment of investments and reduce the carrying amount of the shareholdings.

Long-Term Monetary Balances

Long-term monetary balances between the Parent Company and its independent foreign operations that represent an expansion or reduction in the Parent Company's investment in such foreign operations are valued at the historical rate in the Parent Company financial statements.

Anticipated Dividends

Anticipated dividends from foreign subsidiaries are reported only in those instances when the Parent Company has the sole authority to determine the dividend amount and has made such decision before publishing its financial statements.

Financial Instruments

The Parent Company has chosen to apply Chapter 4, Section 14 a-e of the Annual Accounts Act regarding the fair value valuation of certain financial instruments. For Prevas, this implies that the accounting principles used by the Parent Company are essentially consistent with those used by the Group.

Leased Assets

The Parent Company reports all of its leasing agreements in accordance with the rules on operational leases.

Intangible Assets

Goodwill

Goodwill is depreciated in the Parent Company. Goodwill is depreciated with a useful life of 10 years.

Taxes

Deferred tax liability is included in untaxed reserves in the Parent Company financial statements. In the consolidated financial statements, untaxed reserves are divided up as deferred tax liability and equity.

Group and Shareholder Contributions - Legal Entities

In the Parent Company, Group and shareholder contributions are reported in accordance with statement URA 7, issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholder contributions are reported directly to equity of the recipient and are capitalized in shares and participations by the donor, to the extent that no write-down is required. Group contributions are reported in accordance with their financial implication. This means that Group contributions granted in order to minimize the Group's total tax must be reported directly against retained earnings, less the current tax effect.

Group contributions that are essentially dividends are reported as dividends. This means that Group contributions received by the Parent Company are reported in the income statement, along with the current tax effect. Group contributions along with the current tax effect are reported directly against retained earnings.

Group contributions that are essentially shareholder contributions are reported in the recipient's financial statements along with the current tax effect, directly against retained earnings. The contributor shows Group contributions along with the current tax effect as participations in group companies, to the extent that no write-down is required.

NOTE 2 SEGMENT REPORTING

The Group's management accounting system is designed to derive information on the return made on Group products and services. Accordingly, business segmentation is the primary basis of classification. Business segments have been newly classified. Prevas has combined the areas of Industrial Systems (previously a subset of Consulting Services) and Traceability Products into a new business area, Industrial Systems. By doing so, Prevas is able to strengthen its offerings in the areas of automation, logistics and traceability. The figures for comparative years have been restated as compared to previously published financial statements. Operations in Denmark for the year were less that 10% of the total sales and operating profit for the Group. Accordingly, a seperate disclosure on secondary segments was not made. Intra-group transfer pricing has been based on the arm's length principle.

	The Group		The Parent Company	
	2006	2005	2006	2005
Net Sales, kSEK				
Product Development	184,953	111,963	141,744	111,963
Industrial Systems	93,436	86,341	93,436	86,341
Total	**278,389**	**198,304**	**235,80**	**198,304**
Operating Profit/Loss, kSEK				
Product Development	15,241	8,875	11,476	7,765
Industrial Systems	2,561	–89	2,333	–89
Total	**17,802**	**8,786**	**13,809**	**7,676**
Operating margin, %				
Product Development	8.2	7.9	8.1	6.9
Industrial Systems	2.7	–0.1	2.5	–0.1
Total	**6.4**	**4.4**	**5.9**	**3.9**

cont. note 2

OTHER INFORMATION, kSEK	Product Development	Industrial Systems	Liquidated Company	Total
Group 2006				
Distributed Assets	80,254	52,788	0	133,042
Financial Fixed Assets				1,801
Cash Equivalents				17,053
Total Assets as of 12/31/06				**151,896**
Distributed Liabilities	35,130	15,341	0	50,471
Deferred Tax Liabilities				3,065
Long-Term Interest-Bearing Liabilities				5,910
Equity				92,450
Total Liabilities and Equity as of 12/31/06				**151,896**
Investments	5,690	10,067	0	15,757
Depreciation	4,261	4,933	0	9,194
Group 2005				
Distributed Assets	54,606	32,923	16,231	103,760
Financial fixed assets				1,523
Cash Equivalents				3,368
Total Assets as of 12/31/05				**108,651**
Distributed Liabilities	18,608	10,430	355	29,393
Deferred Tax Liabilities				7,485
Long-Term Interest-Bearing Liabilities				5,078
Equity				66,695
Total Liabilities and Equity as of 12/31/05				**108,651**
Investments	1,494	6,321	0	7,815
Depreciation, amortization, and impairment	3,393	3,884	0	7,277

NOTE 3 ACQUISITION OF BUSINESS

Glaze

On January 3, 2006, Prevas acquired 100% of the shares in Glaze Holding AB and its subsidiaries. Glaze supplies consultancy services in the development of intelligent products. Besides providing complete project deliveries, Glaze offers cutting-edge expertise within the areas of software, hardware and mechanics.

The acquisition was financed through a directed placement of 350,000 own Class B shares. In addition to the initial purchase price , a supplementary purchase sum related to Glaze's earnings trend during 2006 and 2007 may be paid. It is not possible to make a certain estimate of the additional purchase price at this time. Prevas may chose whether to pay any additional purchase price in either shares or cash. However, the maximum total consideration, including the additional purchase price may not exceed SEK 20 million.

The acquisition cost of SEK 10 million was primarily financed through a new capital stock issue valued at market value on the acquisition date. Acquired assets and liabilities were made up of the following: intangible assets; customer-based intangibles MSEK 4.6; goodwill MSEK 7.7; tangible fixed assets MSEK 1.0; current receivables MSEK 5.3; current liabilities MSEK 4.9; long-term liabilities MSEK 2.8; and deferred tax liability MSEK 0.9. Goodwill represents the value to be derived from synergies between operations along with the value of technical expertise. The Glaze business has been consolidated as part of the Prevas Group and is fully included in the consolidated financial statements as of the first quarter of 2006. Depreciation of customer-based intangibles has an estimated useful life of 6 years, that will be expensed in the income statement at approximately MSEK 0.8 per year.

During 2006, Glaze accounted for MSEK 37.9 of Group sales and had a net operating income of MSEK 3.0.

kSEK	Carrying Amount in Glaze before Acquisition	Fair Value Adjustment	Fair Value Reported in Group
Tangible Fixed Assets	1,626	–637	989
Intangible Assets	–	4,600	4,600
Accounts Receivable and Other Receivables	5,899	–597	5,302
Cash Equivalents	13	–	13
Accounts Payable and Other Liabilities	–7,491	–160	–7,651
Deferred Tax Liability	–	–898	–898
Net Identifiable Assets and Liabilities	**47**	**2,308**	**2,355**
Consolidated Goodwill			7,666
Purchase Price, Paid in Cash (*)			–1,748
Cash (acquired)			13
Net Cash Flow			**–1,735**

(*) Including fees for services rendered of kSEK 1,748.

cont. note 3

Avantel

On July 3, 2006 Prevas acquired 100 % of the shares in Avantel AB. Avantel has much experience in industries were the demands are very high, such as medical technology, aerospace, aviation and consumer products. Customers include PacketFront, SciBase and Electrolux where they have developed electronics for the first consumer robotic vacuum cleaner, Trilobite®.

The acquisition was financed through a directed placement of 100,000 own Class B shares. In addition to the initial purchase price, a supplementary purchase sum related to Avantel's earnings trend during 2006, 2007 and 2008 may be paid. It is not possible to make a certain estimate of the additional purchase price at this time. Prevas may chose whether to pay any additional purchase price in either shares or cash. However, the maximum total consideration, including the additional purchase price may not exceed SEK 5 million.

The acquisition cost of SEK 3.4 million was primarily financed through a new capital stock issue valued at market value on the acquisition date. Acquired assets and liabilities were made up of the following: intangible assets; customer-based intangibles MSEK 1.0; goodwill MSEK 1.5; tangible fixed assets MSEK 0.1; current receivables MSEK 1.4; current liabilities MSEK 1.6; and deferred tax liability of MSEK 0.3. Goodwill represents the value of technical expertise. Avantel's business has been consolidated as part of the Prevas Group and is fully included in the consolidated financial statements as of the third quarter of 2006. Depreciation of customer-based intangibles has an estimated useful life of 6 years, that will be expensed in the income statement at approximately MSEK 0.2 per year.

During 2006, Avantel accounted for MSEK 5.1 of Group sales and had a net operating income of MSEK 0.6.

kSEK	Carrying Amount in Avantel before Acquisition	Fair Value Adjustment	Fair Value Reported in Group
Tangible Fixed Assets	64	–	64
Intangible Assets	–	1,000	1,000
Accounts Receivable and Other Receivables	1,369	–	1,369
Cash Equivalents	1,325	–	1,325
Accounts Payable and Other Liabilities	–1,566	–	–1,566
Deferred Tax Liability	–	–280	–280
Net Identifiable Assets and Liabilities	**1,192**	**720**	**1,912**
Consolidated Goodwill			1,507
Purchase Price, Paid in Cash (*)			–1,389
Cash (acquired)			1,325
Net Cash Flow			**–64**

(*) Including fees for services rendered of kSEK 198.

NOTE 4 EMPLOYEE AND PERSONNEL COSTS

	2006			2005		
AVERAGE NUMBER OF EMPLOYEES	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	40	190	230	32	154	186
Total in Parent Company	**40**	**190**	**230**	**32**	**154**	**186**
Subsidiaries						
Sweden	4	20	24	2	16	18
Denmark	0	19	19	0	0	0
Total in Subsidiaries	**4**	**39**	**43**	**2**	**16**	**18**
Total, Group	**44**	**229**	**273**	**34**	**170**	**204**

	The Group		The Parent Company	
kSEK	2006	2005	2006	2005
REPORTING ON GENDER DISTRIBUTION IN SENIOR MANAGEMENT				
Board of Directors, Women	5 %	16 %	20 %	20 %
Senior Management, Women	0 %	8 %	0 %	8 %
SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEAD EXPENSES				
Salaries and Other Remuneration	133,753	96,095	106,854	91,257
Payroll Overhead incl. Pension	59,132	46,318	52,014	44,189
of which Pension Costs	19,657	13,073	17,181	12,600
SALARIES AND OTHER REMUNERATION DISTRIBITED TO THE BOARD, CEO AND OTHERS				
Board and CEO	6,449	2,215	2,213	2,215
Other Employees	127,304	93,880	104,641	89,042
Total	**133,753**	**96,095**	**106,854**	**91,257**

cont. note 4

During 2006, salaries and other remuneration, pension costs and social security costs for Group companies in Sweden were kSEK 179,566 (142 413) and kSEK 13,319 (0) in Denmark.

kSEK	Base Salary/ Board Fee	Variable Remunera-tion	Financial Instru-ments	Other Benefits	Pension Costs
During 2006, remuneration to the Parent Company's Board of Directors, CEO and other senior executives was distributed as follows:					
Chairman of the Board	720				118
Non-Executive Directors	400				
Chief Executive Officer	1,093			84	311
Other Senior Executives	3,332		85	234	949
Total	**5,545**	**0**	**85**	**318**	**1,378**

Senior Executives and Board of Directors

Remuneration to the Chairman of the Board and the Board of Directors is paid in accordance with a resolution adopted at the Annual General Meeting. No separate fee is paid for committee work. Employee representatives do not receive a Board fee.

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, other benefits, a pension and financial instruments. Salary and incentive schemes for the CEO and other senior executives are determined by a remuneration committee appointed by the Board. "Other senior executives" refers to the four individuals, who, together with the CEO make up the company's senior management team. For more information on the composition of the company's senior management team, see page 53.

The division between basic salary and variable remuneration is proportionate with the responsibilities and authority of each position. Variable remuneration for the CEO was based on Prevas' net operating income for 2006.

For other senior executives, variable remuneration could not exceed 17% of base salary. For 2006, such amount was based 50% on Prevas AB's net operating income and 50% on the outcome for each individual's area of responsibility.

The CEO is required to give at least six month's notice for the termination of employment. The company is required to issue its notice of termination to the CEO at least twelve months in advance. Other senior executives in the Parent Company and the Group have standard employment conditions. There are no severance payment agreements in place in excess of the annual salary for that position. The CEO and other senior executives are entitled to pension benefits that correspond with the standard ITP insurance plan. The retirement age for the CEO and other senior executives is 65.

Share-Related Remunerations

At the general meeting of stockholders on March 20, 2002 an employee stock option program totaling 500,000 options was approved. All of Prevas' employees were entitled to participate in the program. The allocation is made free of payment and makes up a portion of each employee's total compensation. Each staff option entitles the holder to acquire one new Class B share in Prevas. The issue price is SEK 15 per share, which is based on the average price paid per share during the period March 6-19, 2002.

As of May 15, 2003, the owner of the options is entitled to exercise 25% of total that were distributed. Afterwards, another 25% are earned for each 12-month period of service. The right to exercise options that were distributed as part of the employee stock option program extends through May 31, 2009. If the owner of the options voluntarily terminates employment at Prevas, the last day to exercise options is 30 days after the date of termination. When Prevas issues a notice of termination to an employee, the last day to exercise any options is one year after the date of termination.

The aim of the scheme is to create a sense involvement throughout the company in the earnings trend and thereby help retain expertise.

At the beginning of 2006, a total of 212, 940 options had been allocated to employees and 75% of these options could be exercised. During 2006, 7,100 options were given back in conjunction with the termination of employment and a total of 30,000 new options were allocated. At the end of 2006, there were 207,000 outstanding options that could be exercised at 100%. During 2006, employees subscribed to 35,940 new shares.

See page 53 for more information on the share holdings of senior executives.

	The Group		The Parent Company	
SICK LEAVE	2006	2005	2006	2005
Total sick leave as a percentage of regular working hours	1.5	1.3	1.8	1.3
Percentage of total sick leave that represents at least 60 consecutive sick leave days or more	0.6	4.7	0.8	5.2
– sick leave for men, %	1.1	1.1	1.2	1.1
– sick leave for women, %	3.8	1.8	4.6	1.8
– employees under the age of 30, %	1.3	1.8	1.6	1.7
– employees between the ages of 30 - 49, %	1.7	1.1	1.9	1.1
– employees over the age of 50, %	1.0	1.7	1.0	1.7

NOTE 5 AUDITORS' FEES AND EXPENSES

kSEK	The Group 2006	The Group 2005	The Parent Company 2006	The Parent Company 2005
KPMG				
Auditors' Fees	503	275	348	243
Other Fees	218	207	192	207
Other Audit Firms				
Audit	40	–	–	–
Other Fees	164	–	71	–

Audit fees include the audit of the financial statements, accounting records and the administration of the Board of Directors and the CEO, as well as other duties that the company's auditor is obliged to conduct and advice or other assistance resulting from observations made during the audit or performance of these other duties. Any other services provided are included in "other fees."

NOTE 6 NET FINANCIAL ITEMS

kSEK	The Group 2006	The Group 2005
Change in Value Based on Revaluation of Financial Assets	–	2,529
Interest, Other	448	129
Financial Income	**448**	**2,658**
Exchange Loss	–122	–
Interest Expenses	–395	–169
Financial Expenses	**–517**	**–169**
Net Financial Items	**–69**	**2,489**

kSEK	Profit/Loss from Participations in Group Companies		The Parent Company Profit/Loss from Participations in Group Companies	
	2006	**2005**	**2006**	**2005**
Dividend from Shares in Subsidiaries	1,345	20,794		
Profit/Loss on Sale of Subsidiaries	8,689	–		
Write-Down of Receivables from Subsidiaries	–	–189		
Reversal of Write-Down of Receivables from Subsidiaries	2,187	–		
Write-Down of Shares in Subsidiaries	–12,772	–22,379		
Profit/Loss on Sale of Associated Companies			610	–
Total	**–551**	**–1,774**	**610**	**0**

kSEK	The Parent Company Other Interest Income and Similar Items	
	2006	**2005**
Change in Value from Revaluation of Options	–	2,529
Interest Income, Group Companies	293	126
Other Interest Income	46	113
Total	**339**	**2,768**

kSEK	The Parent Company Interest Expenses and Similar Items	
	2006	**2005**
Interest Expenses	–128	–32
Total	**–128**	**–32**

NOTE 7 APPROPRIATIONS

kSEK	The Parent Company 2006	2005
Tax Allocation Reserve, Reversal for the Year	8,368	2,531

NOTE 8 TAXES

kSEK	The Group 2006	2005	The Parent Company 2006	2005
REPORTED IN THE INCOME STATEMENT				
Current Tax	–7,090	–1,977	–6,631	–3,131
Deferred Tax	2,989	–773	–	–
Tax Expense for Continued Operations	**–4,101**	**–2,750**	**–6,631**	**–3,131**
Current Tax for Discontinued Operations	–308	–644	–	–
Deferred Tax for Discontinued Operations	2,314	138	–	–
Total	**–2,095**	**–3,256**		
RECONCILIATION OF EFFECTIVE TAX				
Profit/Loss before Tax	17,733	11,275	22,447	11,169
Parent Company Tax, Applicable Rate 28 %	–4,965	–3,157	–6,285	–3,127
Write-Down of Shares in Subsidiaries	–	–	–3,576	–6,266
Write-Up/Down of Receivables from Subsidiaries	–	–	612	–53
Other Non-Deductible Expenses	–156	–137	–295	–112
Non-Taxable Income	–	706	2,980	6,528
Profit/Loss on Sale of Subsidiaries	–	–6	–	–
Standard Interest on Tax Allocation Reserve	–67	–105	–67	–101
Loss Carry-Forward Not Previously Used	1,087	–	–	–
Increase of Loss Carry-Forward Not Requiring Capitalization of Deferred Tax	–	–51	–	–
Reported Tax	–4,101	–2,750	–6,631	–3,131

kSEK	Deferred Tax Assets		Deferred Tax Liability		The Group Net	
REPORTED IN THE BALANCE SHEET	2006	2005	2006	2005	2006	2005
Tangible Fixed Assets			–	2,314	–	2,314
Intangible Assets			2,558	1,476	2,558	1,476
Tax Allocation Reserves			507	2,850	507	2,850
Loss Carry-Forward Deductions	796	3	–	–	–796	–3
Total	**796**	**3**	**3,065**	**6,640**	**2,269**	**6,637**

Loss carry-forward for operations in Denmark that were not previously utilized have been capitalized in conjunction with the acquisition.

NOTE 9 PROPERTIES THAT ARE HELD FOR SALE AND DISCONTINUED OPERATIONS

Liquidated company

During 2006, the Group sold its two investment properties that had been a separate business area. The company also disposed of its associated company, FlexPack Robotics, AB. As of December 31, 2005, the criteria for presentation of discontinued operations had not been achieved and comparison figures have therefore been revised to show discontinued operations separate from continuing operations.

Payment received for the associated company was kSEK 1,260. Net profit kSEK 597 was tax exempt. Payment received from the investment properties was kSEK 16,843. Profit on the liquidation was kSEK 3,507 including dissolvement of the deferred taxes.

cont. note 9

kSEK	The Group 2006	2005
PROFIT/LOSS FROM DISCONTINUED OPERATIONS		
Rental Income	2,008	2,004
External Costs	–512	–242
Depreciation	–	–3
Profit/Loss from Participations in Group Companies	401	262
Capital Gain on Investment Properties	1,193	–
Profit/Loss before Tax	**3,090**	**2,021**
Current Tax	–308	–644
Deferred Tax	2,314	138
Net Income from Liquidated Companies, After Tax	**5,096**	**1,515**
PROFIT PER SHARE FROM DISCONTINUED OPERATIONS		
- before Dilution, SEK	0.59	0.19
- after Dilution, SEK	0.58	0.19
Net Cash Flow from Discontinued Operations		
Cash Flow from Continuing Operations	786	1,515
Cash Flow from Investment Activities	18,419	–
Net Cash Flow from Discontinued Operations	19,205	1,515

NOTE 10 INTANGIBLE ASSETS

kSEK	Goodwill	Develop-ment Expenses	Other Intangible Items	The Group Total
ACCUMULATED ACQUISITION COSTS				
Opening Balance 01-01-2005	9,727	5,709	1,500	16,936
Business Acquisitions	6,100		5,235	11,335
Other Investments			50	50
Internally Developed Assets		4,818		4,818
Closing Balance 31-12-2005	15,827	10,527	6,785	33,139
ACCUMULATED DEPRECIATION AND WRITE-DOWNS				
Opening Balance 01-01-2005	0	–443	–125	–568
Depreciation for the Year	–	–1,918	–945	–2,863
Closing Balance 31-12-2005	0	–2,361	–1,070	–3,431
Carrying Amounts as of 31-12-2005	**15,827**	**8,166**	**5,715**	**29,708**
ACCUMULATED ACQUISITION COSTS				
Opening Balance 01-01-2006	15,827	10,527	6,785	33,139
Business Acquisitions	9,174		6,389	15,563
Disposals	–	–173	–	–173
Internally Developed Assets		7,362		7,362
Closing Balance 31-12-2006	25,001	17,716	13,174	55,891
ACCUMULATED DEPRECIATION AND WRITE-DOWNS				
Opening Balance 01-01-2006	0	–2,361	–1,070	–3,431
Disposals	–	173	–	173
Depreciation for the Year	–	–2,923	–2,483	–5,406
Closing Balance 31-12-2006	0	–5,111	–3,553	–8,664
Carrying Amounts as of 31-12-2006	**25,001**	**12,605**	**9,621**	**47,227**

Write-Down Assessment for Intangible Fixed Assets

Consolidated goodwill is attributed to the company's two main business areas as follows: kSEK 19,941 for the Product Development business area and kSEK 5,060 for the Industrial Systems business area. Write-down assessment is based on the calculation of value-in-use for each main business area, which is the lowest cash-generating unit. This value is derived from 10-year cash flow forecasts based on the 3-year business plan

cont. note 10

and assuming 2% annual growth. The present value of the future expected cash flows has been calculated using a before tax discount rate of 10%. Based on the established business plans, the present value of future cash flows for the next 3 years is calculated to assess the value of development costs.

			The Parent Company	
kSEK	Goodwill	Develop-ment Expenses	Other Intangible	Total
ACCUMULATED ACQUISITION COSTS				
Opening Balance 01-01-2005	2,380	5,709	1,500	9,589
Business Acquisitions			1,050	1,050
Other Investments			50	50
Internally Developed Assets		4,818		4,818
Closing Balance 31-12-2005	2,380	10,527	2,600	15,507
ACCUMULATED DEPRECIATION AND WRITE-DOWNS				
Opening Balance 01-01-2005	–1,430	–443	–125	–1,998
Depreciation for the Year	–238	–1,918	–508	–2,664
Closing Balance 31-12-2005	–1,668	–2,361	–633	–4,662
Carrying Amounts as of 31-12-2005	**712**	**8,166**	**1,967**	**10,845**
ACCUMULATED ACQUISITION COSTS				
Opening Balance 01-01-2006	2,380	10,527	2,600	15,507
Investments			789	789
Disposals		–173		–173
Internally Developed Assets		7,362		7,362
Closing Balance 31-12-2006	2,380	17,716	3,389	23,485
ACCUMULATED DEPRECIATION AND WRITE-DOWNS				
Opening Balance 01-01-2006	–1,668	–2,361	–633	–4,662
Disposals		173		173
Depreciation for the Year	–238	–2,923	–760	–3,921
Closing Balance 31-12-2006	–1,906	–5,111	–1,393	–8,410
Carrying Amounts as of 31-12-2006	**474**	**12,605**	**1,996**	**15,075**

Depreciation of capitalized development cost begins as soon as there is a final product version or once the product is taken into operation (should this occur first).

NOTE 11 TANGIBLE FIXED ASSETS

	The Group		The Parent Company	
kSEK	2006	2005	2006	2005
Equipment				
ACCUMULATED ACQUISITION COSTS				
Opening Balance	22,888	20,795	14,038	13,828
Acquired via Business Acquisitions	4,720	134	–	–
Reclassification of Leased Fixed Assets	–	–	–	–
Acquisitions for the Year	5,807	4,399	3,125	2,650
Sales and Disposals for the Year	–7,184	–2,440	–7,184	–2,440
Closing Balance	26,231	22,888	9,979	14,038
ACCUMULATED DEPRECIATION AND WRITE-DOWNS				
Opening balance	–14,509	–12,513	–10,870	–10,031
Accumulated Depreciation Attributable to Company Acquisitions	–3,931	–22	–	–
Correction on Sales/Disposals	7,184	2,440	7,184	2,208
Depreciation for the Year	–3,788	–4,414	–1,931	–3,047
Closing Balance	–15,044	–14,509	–5,617	–10,870
Carrying Amounts	**11,187**	**8,379**	**4,362**	**3,168**

NOTE 12 INVESTMENT PROPERTIES

kSEK	Retired/Sold Properties	The Group Investment Properties Held the Entire Year
Opening Fair Value 01-01-2005		16,000
Investments in Properties		25
Unrealized Change in Value		–25
Closing Fair Value 31-12-2005		16,000
Opening Fair Value 01-01-2006	16,000	
Disposal of Properties	–16,000	
Closing Fair Value 31-12-2006	0	

Investment properties are reported in the balance sheet at fair value and any changes in the value of these investments are reported in the income statement. Fair-values are based primarily on independent third-party valuations, see additional information on accounting principles, above.

kSEK	The Group 2006	2005
INVESTMENT PROPERTIES, EFFECT ON PROFIT/LOSS FOR THE PERIOD		
Rental Income	2,008	2,004
Direct Costs for Investment Properties that Generated Rental Income during the Period (Operating/Maintenance Costs, Property Tax and Site Leasehold Fee)	–512	–222
Direct Costs for Investment Properties that Did Not Generate Rental Income during the Period	–	–6

Revenues and expenses from investment properties are reported in the income statement under the item for discontinued operations in both 2006 and the comparative year 2005.

NOTE 13 PARTICIPATIONS IN ASSOCIATED COMPANIES

During 2006, the company ended its participations in associated companies. Any profit/loss is shown as part of discontinued operations, see note 9.

kSEK	The Group 2006	2005
Carrying Amount at the Beginning of the Year	859	4,757
Transfer to Shares in Group Company, Precon AB	–	–4,160
Disposal	–859	–
Share in Profit/Loss of Associated Companies 1)	–	262
Carrying Amount at Year End	0	859

1) After-tax share in the profits/loss of associated companies and minority interests in associated companies.

NOTE 14 RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATED COMPANIES

kSEK	Receivables from Group Companies		The Parent Company Receivables from Associated Companies	
	2006	2005	2006	2005
ACCUMULATED ACQUISITION COSTS				
At the Beginning of the Year	7,871	7,977	–	–
Purchases	–	189	–	–
Reclassifications	–380	–295	–	–
Ending Balance on 31 December	7,491	7,871	0	0
ACCUMULATED WRITE-DOWNS				
At the Beginning of the Year	–2,069	–1,880	–	–
Write-Downs for the Year	–	–189	–	–
Reversal of Prior Write-Downs	2,069	–	–	–
Ending Balance on 31 December	0	–2,069	0	0

NOTE 15 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

	The Group		The Parent Company	
kSEK	2006	2005	2006	2005
LONG-TERM RECEIVABLES				
Derivates Held for Hedging Purposes	1,005	664	1,005	664

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

	The Group		The Parent Company	
kSEK	2006	2005	2006	2005
Fixed-Price Projects in Progress, Invoicing Value	39,629	30,455	39,629	30,455
Less Invoicing	–41,735	–26,626	–41,735	–26,626
Accrued Income from Work on Current Account	16,445	11,753	13,106	11,753
Prepaid Rent	1,571	1,220	1,189	1,220
Other Items	3,347	1,125	2,813	1,006
Total	**19,257**	**17,927**	**15,002**	**17,808**

NOTE 17 CASH EQUIVALENTS

	The Group		The Parent Company	
kSEK	2006	2005	2006	2005
Unutilized Bank Overdraft, Not Included in Cash Equivalents	15,000	15,000	15,000	15,000

NOTE 18 EQUITY

The share capital is divided into 820,160 Class A shares (10 votes per share) and 7,898,590 Class B shares (1 vote per share). The total number of shares on 31 December was 8,718,750. Payment for 1,650 Class B shares, equal to SEK 4,125 was recorded in 2006 but was not registered with the Swedish Companies Registration Office until January, 2007.

Dividends
Subsequent to the reporting date, the Board of Directors recommended a dividend of SEK 1.00 per share (SEK 0.50 per share). The dividend has not yet been adopted and there are no income tax effects.
During 2006, the company reported dividends to shareholders of SEK 0.50 per share, totaling kSEK 4,111.

THE GROUP
Other Capital Contributions
Refers to equity contributed by the owners. This also includes share premium reserves that were transferred to the statutory reserve as of December 31, 2005. As of January 1, 2006, provisions for the share premium reserve will be shown as part of other capital contributions.

Retained Earnings, Including Net Profit/Loss for the Year
Retained earnings including net profit for the year, is comprised of the profits earned in the Parent Company and its subsidiaries, as well as the profits from associated companies and joint ventures. Earlier provisions for the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

THE PARENT COMPANY
Restricted Reserves
Restricted reserves may not be reduced by dividends.

Statutory Reserve
The purpose of the statutory reserve is to exclude a portion of net profit from that which may be used to cover any losses carried forward.

Non-Restricted Equity
Share Premium Reserve
Shares are issued at a premium whenever the payment received exceeds the face value for the shares. The amount received in excess of the face value for the shares is kept as part of the share premium reserve.

Retained Earnings
Comprised of the prior year's unrestricted equity after any distribution of dividends. Total non-restricted equity is comprised of retained earnings, profit for the year and the share premium reserve. This is also the total amount available to shareholders as dividends.

Outstanding Options
339,060 Employee stock options, issue price SEK 15, exercise period May 15, 2003 through May 31, 2009.
113,140 Other options, issue price SEK 15, exercise period May 15, 2003 through May 31, 2009.

NOTE 19 PROFIT PER SHARE

kSEK	The Group 2006	2005
PROFIT PER SHARE BEFORE DILUTION		
Profit/Loss for the Period	18,728	10,040
Average No. of Shares before Dilution, in thousands	8,638	8,105
Profit Per Share before Dilution, SEK	**2.17**	**1.24**
PROFIT PER SHARE AFTER DILUTION		
Profit/loss for the period	18,728	10,040
Average No. of Shares after Dilution, in thousands	8,712	8,172
Profit Per Share after Dilution, SEK	**2.15**	**1.23**
PROFIT PER SHARE BEFORE DILUTION - CONTINUING OPERATIONS		
Profit/Loss for the Period	13,632	8,525
Average No. of Shares before Dilution, in thousands	8,638	8,105
Profit Per Share before Dilution - Continuing Operations, SEK	**1.58**	**1.05**
PROFIT PER SHARE AFTER DILUTION - CONTINUING OPERATIONS		
Profit/Loss for the Period	13,632	8,525
Average No. of Shares after Dilution, in thousands	8,712	8,172
Profit Per Share after Dilution - Continuing Operations, SEK	**1.56**	**1.04**

NOTE 20 INTEREST-BEARING LIABILITIES

kSEK	The Group 2006	2005
LONG-TERM LIABILITIES		
Financial Lease Liabilities, Maturity 1-3 Years	5,910	5,078

NOTE 21 OPERATING LEASES

LEASING AGREEMENTS WHERE THE COMPANY IS THE LESSEE

The Group's operating leases are primarily on properties. Future payments on lease agreements that may not be terminated in advance of the maturity date are:

kSEK	The Group 2006	2005	The Parent Company 2006	2005
Maturity within one year	7,406	5,610	5,368	5,610
Maturity in 1-5 years	8,873	10,345	4,270	10,345
Total	**16,279**	**15,955**	**9,638**	**15,955**

LEASING AGREEMENTS WHERE THE COMPANY IS THE LESSOR

The company has sold all of its investment properties and there are no remaining leasing agreements where the company is the lessor.

NOTE 22 PROVISIONS

kSEK	The Group 2006	2005	The Parent Company 2006	2005
PROVISIONS THAT ARE LONG-TERM LIABILITIES				
Warranty Commitments	200	200	200	200
PROVISION FOR WARRANTY COMMITMENTS				
Carrying Amount at the Beginning of the Period	200	312	200	312
Amount of Claims during the Period	0	–112	0	–112
Carrying Amount at the End of the Period	**200**	**200**	**200**	**200**

cont. note 22

The warranty provision is primarily related to documents issued during the 2005 and 2006 financial years. The provision is based on historical warranty data for similar products and services.

NOTE 23 ACCRUED EXPENSES AND DEFERRED INCOME

	The Group		The Parent Company	
kSEK	2006	2005	2006	2005
Accrued Salaries and Vacation Pay Liabilities	9,050	6,105	6,074	5,813
Accrued Social Security Contributions	4,774	3,389	4,127	3,089
Other Items	6,432	3,556	5,447	3,292
Total	**20,256**	**13,050**	**15,648**	**12,194**

NOTE 24 FINANCIAL RISKS AND FISCAL POLICIES

FINANCIAL RISKS

The Prevas Group's financial risks are low. The financial transactions that occur are solely to support operating activities and there are no transactions conducted for speculative purposes.

Financial risks are items that can have a negative impact on the company's profit and cash flow. They include exchange rate and interest rate fluctuations as well as refinancing and credit risks. The Group's fiscal policy for dealing with such financial risks was formulated by the Board of Directors as a framework of guidelines and rules, with associated limitations and authority that apply to the financial organization. The Parent Company's finance department is responsible for centrally managing financial risks and conducting financial transactions for the Group. The main objective of the finance department is to ensure cost effective financing and minimize any negative effects that market fluctuations may have on Group profits.

Liquidity and Cash Flow Risks

Liquidity and cash flow risks refer to the risk of a higher cost and limited financing opportunities when loans are renewed and the risk that payment commitments cannot be met due to a shortage of cash. The only interest-bearing liabilities within the Prevas Group are financial lease liabilities. The Group has been granted a bank overdraft facility of MSEK 15, which can be utilized to cover temporary financing needs. The international credit rating agency, D&B (Dun & Bradstreet) gave AAA rating to the Prevas Group, which is the highest possible credit rating available.

INTEREST RATE RISK

Since no investments have been made, the Group's interest rate risk comprises changes in the deposit rate and the lending rate on the Group's checking account. However, Prevas is indirectly affected by the fact that interest rate changes may affect customers' willingness to invest.

The liabilities that exist consist of financial lease liabilities subject to variable interest rates. The maturity schedule for the financial lease liabilities is specified in note 20.

CREDIT RISK

Credit risk is made up of the Group's outstanding accounts receivable and non-invoiced work-in-progress. Since customers largely consist of large and medium-sized companies with good solvency, bad debt losses have historically been insignificant. In order to reduce the risk of credit losses, credit checks are run on all new customers. New credit checks on existing customer may be made if there is an indication of a change in solvency. The Prevas Group has had no credit losses during 2006.

CURRENCY RISK

The Group is exposed to different types currency risks. There is a certain exposure related to purchases and sales made in foreign currencies. Risk is related partly to currency fluctuations on financial instruments, accounts payable and accounts receivable. There is also a risk associated with the expected or agreed upon cash flow, i.e., transaction exposure. Currency fluctuations can also affect the value of a subsidiary's assets and liabilities upon consolidation with the Parent Company, i.e., translation exposure or accounting exposure.

(i) Transaction Exposure

Invoicing in amounts other than SEK or DKK make up less that 1 percent of total invoicing for the Group. Foreign currency exposure has, in each individual case, been determined to be insignificant and therefore hedging has been deemed unnecessary. Purchases in foreign currency occur to a very small extent.

In the consolidated income statement, exchange rate differences impacted operating profit by kSEK 3 (2) and by kSEK –122 (0) in net financial income/expense.

(ii) Translation/Accounting Exposure

It is Group policy to not use hedging in order to mitigate translation exposure for foreign currencies. Note 1, accounting principles, net investment hedging, explains how this is dealt with for accounting purposes.

NOT 25 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

kSEK	The Group 2006	The Group 2005	The Parent Company 2006	The Parent Company 2005
PLEDGED ASSETS				
- Pledged Assets for Own Liabilities and Provisions				
Chattel Mortgages	15,000	15,000	15,000	15,000
Frozen Accounts	10,003	–	10,003	–
Real Estate Mortgages	–	10,000	–	–
Shares in Subsidiaries	–	12,467	–	9,931
Total	**25,003**	**37,467**	**25,003**	**24,931**
CONTINGENT LIABILITIES				
Surety Bond on Advance Warranties	5,301	1,506	5,301	1,506
Total	**5,301**	**1,506**	**5,301**	**1,506**

NOTE 26 RELATED PARTIES

Summary of Related Party Transactions:

kSEK	Year	Services Sold to Related Parties	Services Acquired from Related Parties	Liabilities to Related Parties as of 31 December	Receivables from Related Parties as of 31 December
THE GROUP					
Associated Companies	2006	169	–	–	–
Associated Companies	2005	1,454	8,526	–	–
Other Related Parties	2006	–	50	–	–
Other Related Parties	2005	–	50	–	–
THE PARENT COMPANY					
Subsidiaries	2006	300	8,443	12,836	7,491
Subsidiaries	2005	60	10,260	10,628	5,802
Associated Companies	2006	169	–	–	–
Associated Companies	2005	1,454	8,526	–	–
Other Related Parties	2006	–	50	–	–
Other Related Parties	2005	–	50	–	–

Related Parties

The Parent Company and its subsidiaries are considered to be related parties (see note 27). Furthermore, close family members are considered as related parties to members of the Board and senior managers of the company.

Transactions with related parties are priced according to the prevailing market conditions.

Transactions with Key Personnel in Senior Positions

The Board of Directors and their close family members own 30% of the total voting power in the company. As of Dec. 31, 2006 there were no outstanding loans to related parties. Board fees are set and approved at the Annual General Meeting. Salary and incentive schemes for the CEO and other senior executives are determined by a remuneration committee appointed by the Board and are approved at the Annual General Meeting. See note 4.

Senior managers also participate in the Group's employee stock option program (see note 4).

NOT 27 GROUP COMPANIES

kSEK	The Parent Company 2006	The Parent Company 2005
At the Beginning of the Year	25,087	36,766
Write-Down of Shares in Subsidiaries	–12,772	–22,379
Acquisition/New Subscriptions	16,272	10,700
Book Value at the End of the Year	**28,587**	**25,087**

Write-downs and reversal of prior write-downs for the year are reported in the income statement as part of the item "Profit/Loss from Participations in Group Companies."

cont. note 27

kSEK	Number of Shares	Shares in %	12/31/06 Carrying Amount	12/31/05 Carrying Amount
Subsidiary/CIN/Registered Office				
Prevas A/S, 26180287, Copenhagen	5,000	100	607	0
Trinova Software Systems AB, 556376-3910, Gothenburg	8,000	100	5,332	6,600
Prevas Engineering AB, 556380-1132, Västerås	5,000	100	1,000	1,000
Prevas Inhold AB, 556350-5758, Västerås	5,000	100	600	600
Prevas Fastighets i Västerås AB, 556238-7331, Västerås	1,000	100	912	2,731
Pharmaline AB, 556266-3210, Västerås	3,000	100	620	620
International Consultancy and Engineering Sweden AB, Västerås	1,000	100	2,695	2,836
Precon AB, 556655-3326, Stockholm	1,000	100	3,498	10,700
Glaze AB, 556620-6404, Malmö	3,261	100	9,904	–
Avantel AB, 556238-7786, Stockholm	10,000	100	3,419	–
			28,587	**25,087**

NOTE 28 UNTAXED RESERVES

kSEK	The Parent Company 2006	2005
TAX ALLOCATION RESERVE		
Tax Assessment 2001	–	8,368
Tax Assessment 2005	1,810	1,810
Total	**1,810**	**10,178**

NOTE 29 CASH FLOW STATEMENT

ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESS UNITS

Two companies were acquired during 2006. Glaze AB was acquired on 3 January and Avantel AB was acquired on 3 July. The table below shows the value of assets and liabilities that have been take over.

kSEK	The Group 2006	2005
ACQUIRED ASSETS AND LIABILITIES		
Tangible Fixed Assets	1,053	112
Operating Receivables	6,420	1,545
Cash Equivalents	1,338	2,503
Total assets	**8,811**	**4,160**
Current Operating Liabilities	–7,374	2,217
Total Provisions and Liabilities	**–7,374**	**2,217**
Direct Costs Associated with Acquisition	–3,137	0
Cash Equivalents in Acquired Subsidiaries	1,338	2,503
Effect on Cash Equivalents	–1,799	2,503

NOTE 30 IMPORTANT EVENTS SUBSEQUENT TO YEAR END

Prevas Makes Big Investment in Product Development within the Area of Embedded Systems - Acquires Specialist Expertise from Teleca

On January 1, 2007, Prevas acquired business relations and 99 consultants from Teleca Life Science and Teleca Embedded Solutions. The purchase price of MSEK 32 went to auSystems Sweden East AB, a subsidiary of Teleca AB. The acquired units from Teleca are expected to bring in sales of approximately SEK 115 million during 2007 and pre-tax profit of SEK 9 million.

Teleca Life Science is a design house for medical devices and analytical instruments with regional and international operations. Teleca Life Science has 58 employees, of which 40 are located in Stockholm and 18 in Uppsala. Customers include Siemens Medical Solutions, Axis-Shield, Aerocrine, Elekta, Maquet and GE Healthcare.

Teleca Embedded Solutions is a design house for the development and integration of mobile and embedded systems. Teleca Embedded Solutions has 41 employees located in Stockholm. Customers include Saab, Ericsson, Nanoradio and Cale Access.

An asset purchase and assumption of liabilities agreement has been signed, effective January 1, 2007. The purchase sum for intangible assets is MSEK 32. The value of other acquired assets and liabilities will be added. The acquisition is financed through new loans. The acquired units will become part of the Prevas Group and are expected to attain an operating margin of 10% sometime during the first half of 2008. The units will be fully included in Prevas' Consolidated Financial Statements as of the first quarter of 2007. A Purchase Price Allocation has not yet been completed.

cont. note 30

The Acquisition of IO Technologies A/S Makes Prevas the Leading Provider of Embedded Systems in Denmark.
Prevas has acquired the Danish company, IO Technologies A/S. The merger with Prevas' current operations in Denmark results in a subsidiary with 60 employees and annual sales of SEK 50 million. As a result of the merger, Prevas is now the leading supplier of embedded systems in Denmark and has further solidified its position as the Nordic leader in this sector.

IO Technologies is a leading technology development house for customized software and electronics solutions. The company provides the entire product development chain, from idea to production. The company has developed a portfolio of ready-to-use electronics and software modules that streamline customer R&D and minimize time to market. The embedded systems supplied to customers by IO Technologies have been used for everything from wireless personal sports instruments to research projects for advanced signal processing of ultrasound. The company's customers include Brüel & Kjaer, Radiometer, Danfoss, Grundfos, and Vestas. IO Technologies is expanding rapidly. There are currently a total of 35 employees in Copenhagen and Århus and sales in 2006 were SEK 27 million.

An acquisition agreement has been signed and will come into effect as of February 1, 2007. The fixed purchase price consists of 568,182 newly issued Prevas B-shares, which are estimated to be worth approximately SEK 18 million on the effective date. Additional remuneration based on IO Technologies earnings trends for 2007, 2008, and 2009 may also be added to the purchase price. However, the maximum total consideration, including the additional purchase price may not exceed SEK 24.5 million. IO Technologies' business will be integrated into the Prevas Group resulting in an anticipated positive impact on profits before tax of around SEK 5-7 million per year, with the full effect expected to be reached sometime during the first half of 2008. IO Technologies will be fully included in Prevas' Consolidated Financial Statements as of the first quarter of 2007. A Purchase Price Allocation has not yet been completed.

Prevas Signs LOI on Acquisition of Energy Control for Steel Industry
Prevas has signed a letter of intent (LOI) regarding acquisition of APC Advanced Process Control AB. The business consists of specialist expertise in furnace regulation and energy control for the steel industry.

In order to effectively regulate heating furnaces, productivity, quality and energy consumption must be optimized. Together with branch organizations Jernkontoret and Metallurgical Research Institute AB, APC Advanced Process Control has developed software that performs this optimization. Energy savings of up to 20 percent can be achieved. APC Advanced Process Control also offers specialist expertise in furnace regulation. The company had SEK 2.7 million in sales in 2006 with customers such as Outokumpu Stainless, SSAB and Ovako Steel.

Prevas Signs LOI Regarding Acquisition of Specialist Expertise in Electronics Development
Prevas has signed a letter of intent (LOI) regarding acquisition of the company Realfast Hardware Consulting AB.

Realfast is a consulting firm in electronics development and is also one of the leading Nordic specialists in programmable electronic circuits and turnkey building blocks for electronics design. The company has 4 employees in Västerås. Realfast offers electronics development to such high-tech companies as ABB, Bombardier, Ericsson, and others. Besides specialist expertise and electronics development, the company provides turnkey building blocks for electronics design to companies in Germany, Italy, the USA, Canada and elsewhere.

Note 31 INFORMATION ABOUT THE PARENT COMPANY

Prevas AB is a Swedish registered corporation with registered office in Västerås. The Parent Company's shares are listed on the Stockholm Stock Exchange. Prevas' headquarters are located at: Klockartorpsgatan 14, 723 44 Västerås. CIN: 556252-1384.

For 2006, the consolidated financial statements are comprised of the Parent Company and its subsidiaries, that together are referred to as the Group. The Group also includes participations in associated companies.

The Board of Directors and the CEO hereby assert that the annual report has been prepared in accordance with Generally Accepted Accounting Principles for listed corporations in Sweden. The information submitted corresponds to the actual business conditions and no significant items have been omitted that could alter the true and fair picture of the Group and Parent Company that is given in the annual report.

Stockholm February 27, 2007

Göran Lundin, Chairman of the Board	Claes Dinkelspiel	Anders Englund, CEO	Bernt Ericson
Lisbeth Gustafsson	Erik Hallberg	Christina Liffner	Stieg Westin
Jan-Olof Carlsson Employee Representative	Fredrik Klintåker Employee Representative		

The annual report and consolidated financial statements that are presented in this document been approved for issue by the Board on February 27, 2007. The consolidated income statement, consolidated balance sheet, Parent Company income statement and Parent Company balance sheet with be brought forth for adoption at the Annual General Meeting on March 28, 2007.

Auditor's Report

To the Annual General Meeting of Prevas AB (publ)
Corporate Identification Number: 556252-1384

We have audited the financial statements, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the CEO of Prevas AB (publ.) for the year 2006. The company's financial statements are provided in the printed version of this document on pages 22-50. The Board of Directors and the CEO are responsible for these accounts and the administration of the Company, and for ensuring that the Annual Accounts Act is applied when the annual report and the consolidated financial statements are compiled, and that the International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act are applied for compiling the consolidated accounts. Our responsibility is to, based on our audit, express an opinion on the annual report, the consolidated financial statements and the administration of the Company.

The audit has been conducted in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as evaluating the important estimates made by the Board of Directors and the CEO when compiling the annual report and consolidated financial statements and evaluating the overall presentation of information in the annual report and the consolidated financial statements. As the basis of our statement regarding discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report has been prepared in accordance with the Annual Accounts Act and consequently provides a true and fair picture of the Company's earnings and financial position in accordance with Generally Accepted Accounting Standards in Sweden. The consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards adopted by the EU and with the Annual Accounts Act and provide a true and fair picture of the Group's earnings and financial position. The Management Report is compatible with the other parts of the annual report and consolidated financial statements.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Management Report and that the members of the Board and CEO be discharged from liability for the fiscal year.

Stockholm March 5, 2007
KPMG Bohlins AB

Helena Arvidsson Älgne
Authorized Public Accountant

Prevas' Board of Directors


Göran Lundin


Claes Dinkelspiel


Anders Englund


Bernt Ericson


Lisbeth Gustafsson


Erik Hallberg


Christina Liffner


Stieg Westin


Jan-Olof Carlsson


Fredrik Klintåker

Göran Lundin, Västerås, born 1944.
Chairman of the Board since 2000 and member of the Board since 1985.
Other Engagements: Chairman of Småföretagsinvest (SFI) and Chairman of MPA Måleriproduktion. Memberships Include: Royal Swedish Academy of Engineering Sciences (IVA), Västmanlands Research and Development Council, SamSari, Halda. Ownership in Prevas AB (incl. family): 150,000 Class A shares and 2,551,740 Class B shares.

Claes Dinkelspiel, Stockholm, born 1941.
Chairman of the Board, E. Öhman J:or AB. Member of the Board since 2000.
Other Engagements: Chairman of the Board in Nordnet, Emric, MPS Holding, Stockholms Köpmanklubb and other companies. Memberships Include: FBN Sweden, Intellecta, Småföretagsinvest (SFI), Stiftelsen Silviahemmet and others.
Ownership in Prevas AB: 8,500 Class B shares.

Anders Englund, Stockholm, born 1960.
CEO Prevas AB. Member of the Board since 2003.
Other Engagements: Member of Almega IT Employers' Organization and Östsvenska IT-föreningen (OSIT).
Ownership in Prevas AB: 8,200 Class B shares and 10,000 employee stock options.

Bernt Ericson, Stockholm, born 1945.
Honorary Doctor at Uppsala University. former Head of Research at Ericsson. Member of the Board since 2000.
Other Engagements: Chairman of the Board at Innovation Impact AB, World Internet Institute and the Chester Carlsson Foundation Fund. Memberships in: strange_ways AB and the Royal Swedish Academy of Engineering Sciences (IVA).
Ownership in Prevas AB: 1,600 Class B shares.

Lisbeth Gustafsson, Stockholm, born 1947.
Member of the Board since 2000.
Other Engagements: Board member of Karolinska University Hospital, Nocom, the Swedish Trade Federation, the Confederation of Swedish Enterprise and Axel Johnson International.
Ownership in Prevas AB: 800 Class B shares

Erik Hallberg, Stockholm, born 1956.
Senior Vice President and Head of Market Area Baltic Countries, TeliaSonera. Member of the Board since 1999.
Other Engagements: Chairman of the Board in Confidence International, AS Eesti Telekom (Estonia), SIA Latvijas Mobilais Telefons (Latvia), and TEO LT, AB (Lithuania). Board Member of Drutt Corporation, SIA Lattelekom (Latvia), Xfera Moviles S.A. (Spain), AS EMT and Elion Enterprises Ltd (Estonia).

Christina Liffner, Västerås, born 1950.
Member of the Board since 2005.
Other Engagements: Chairman of the Board at Svensk Adressändring and the Swedish Endometriosis Society. Vice Chairman of Svensk Exportkredit (SEK).
Board Member of Länsförsäkringar Bergslagen, SJR in Scandinavia, Sveaskog, Vasakronan and others.
Ownership in Prevas AB (incl. family): 500 Class B shares

Stieg Westin, Skövde, born 1938.
Former Vice President of Volvo Lastvagnar AB. Member of the Board since 1986.
Ownership in Prevas AB (incl. company): 64,000 Class A shares and 49,000 Class B shares.

Jan-Olof Carlsson, Västerås, born 1954.
Employee representative since 2005.
Ownership in Prevas AB: 3,200 Class B shares and 1,500 employee stock options.

Fredrik Klintåker, Linköping, born 1972.
Employee representative since 2005.
Ownership in Prevas AB: 3,762 Class B shares.

Prevas' Corporate Management Team

Prevas' Management Team: Mats Lundberg, Peter Jansson, Anders Englund, Björn Andersson, Tom Hollowell

Björn Andersson
Västerås, born 1957. Vice CEO Prevas AB
Education: Master of Engineering
Employed since 1985.
Ownership in Prevas AB: 100,000 Class A shares, 208,000 Class B shares and 9,000 employee stock options.

Anders Englund
Stockholm, born 1960. CEO Prevas AB
Education: Master of Engineering
Employed since 1998.
Ownership in Prevas AB: 8,200 Class B shares and 10,000 employee stock options.

Tom Hollowell
Karlstad, born 1961.
Business Unit Manager for Industrial Systems
Education: Master of Engineering
Employed since 2001.
Ownership in Prevas AB: 5,000 employee stock options.

Peter Jansson
Västerås, born 1965. CFO/Administrative Manager Prevas AB.
Education: MBA
Employed since 2005.
Ownership in Prevas AB: 9,000 employee stock options.

Mats Lundberg
Stockholm, born 1961.
Business Unit Manager for Product Development
Education: Master of Engineering
Employed since 2005.
Ownership in Prevas AB: 70,200 Class B shares

Auditor

KPMG Bohlins AB
Helena Arvidsson Älgne
Chief Auditor
Stockholm, born 1962.
Authorized Public Accountant, KPMG.
Auditor for Prevas AB since 2006.

Stockholder Information

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5:30 PM on March 28, 2007 at the Aros Congress Center, Hörsalen, Munkgatan 7, Västerås, Sweden.

REGISTRATION

Registration to take part in the Annual General Meeting by contacting any of the following:

- Prevas AB, Klockartorpsgatan 14, 723 44 Västerås
- by telephone: +46 (21) 360 19 00, by fax +46 (21) 360 19 29
- via e-mail arsstamma@prevas.se

When registering, stockholders must provide their name, personal identification number (corporate identification number), address and telephone number. When participation is requested based on the power of attorney, certificate of registration or other qualifying certifications, such documentation should be submitted to the company well in advance of the Annual General Meeting. Such information will only be used for the purpose of the Annual General Meeting.

RIGHT TO PARTICIPATE

In order to participate and vote, the stockholder must meet both of the following requirements:
Included in the Värdepapperscentralen VPC AB (VPC) register of shareholders on March 22, 2007. **Registered** at the company no later than 12:00 PM on Friday, March 23, 2007.

For nominee shareholders, the shares must temporarily be registered in the shareholder's own name. Such registration must be completed no later than March 22, 2007.

DIVIDENDS

The Board proposes a dividend of SEK 1.00 per share (prior year SEK 0.50) for fiscal year 2006. The record date for the dividend is suggested as Monday, April 2, 2007. The dividend is expected to be distributed via VPC on Thursday, April 5, 2007.

FINANCIAL REPORTING

For the financial year 2007, financial reports are scheduled as follows:

- 27 April 2007: Interim Report January - March
- 29 August 2007: Interim Report January - June
- 25 October 2007: Interim Report January - September
- 6 February 2008: Year-end Report
- March 2008: Annual General Meeting

Prevas Financial Statements can be downloaded by visiting www.prevas.se or ordered from Prevas AB, Information, Klockartorpsgatan 14, 723 44 Västerås, e-mail: info@prevas.se.

CONTACT

Helena Lundin
Information Officer Prevas AB
Tel. +46 (21) 360 19 20
E-mail: helena.lundin@prevas.se

Offices and Locations

GOTHENBURG
Stora Åvägen 19 B
SE-436 34 Askim
Tel. +46 (31) 725 18 00, Fax +46 (31) 725 18 28

KARLSTAD
Regementsgatan 21 B, Box 1909
SE-651 19 Karlstad
Tel. +46 (54)14 74 00, Fax +46 (54) 14 74 99

LINKÖPING
Wallenbergsgata 4
SE-583 35 Linköping
Tel. +46 (13) 32 86 00, Fax +46 (13) 32 86 99

MALMÖ
Djäknegatan 23
SE-211 35 Malmö
Tel. +46 (40) 691 95 00, Fax +46 (40) 691 95 49

MALMÖ
Krossverksgatan 7B, Box 600 76,
SE-216 10 Limhamn
Tel. +46 (40) 36 38 80, Fax +46 (40) 36 38 89

STOCKHOLM
Banvaktsvägen 12
SE-171 48 Solna
Tel. +46 (8) 726 40 00, Fax +46(8)726 40 01

STOCKHOLM
Kapellgränd 3, Box 4617
SE-116 91 Stockholm
Tel. +46 (8) 644 14 00, Fax +46(8) 644 25 25

UPPSALA
Kungsgatan 64
SE-753 18 Uppsala
Tel. +46 (18) 56 27 00, Fax +46 (18) 56 27 19

VÄSTERÅS (Head Office)
Klockartorpsgatan 14
SE-723 44 Västerås
Tel. +46 (21) 360 19 00, Fax +46 (21) 360 19 29

COPENHAGEN
Frederikskaj 6
DK-2450 Copenhagen SV
Tel. +45 (33) 15 90 90, Fax +45 (33) 15 90 96

ÅLBORG
Lindholm Brygge 31
DK-9400 Nørresundby
Tel. +45 (98) 16 80 90, Fax +45 (98) 16 80 94

ÅRHUS
Gåseagervej 6
DK-8250 Egå
Tel. +45 (87) 43 80 70, Fax +45 (87) 43 80 79

Prevas AB (publ), CIN 556252-1384
Klockartorpsgatan 14, SE-723 44 Västerås
Tel. +46 (21) 360 19 00, info@prevas.com

Prevas is an innovative IT company with a strong company culture that offers
its customers solutions with a world-class competitive edge.
Prevas has delivered customer benefit in the form of profitable solutions for the future for over 20 years.
Prevas' solutions are renowned for innovation, quality assurance and delivery reliability, which
has qualified Prevas for many successful assignments from leading global enterprises.
www.prevas.com